Xstrata plc

Interim Report 2006

Registered number 4345939

Key Financial Results

$m	**Six months to 30.06.06***	Six months to 30.06.05*	% Change
Revenue	**5,178.3**	3,765.7	37.5
EBITDA	**2,263.4**	1,347.7	67.9
EBIT	**1,947.4**	1,063.9	83.0
Attributable profit	**1,132.8**	797.1	42.1
Earnings per share (basic)	**$1.79**	$1.28	39.8
Cash generated from operations	**1,957.9**	1,136.6	72.3
Net debt to equity	**12.7%**	18.6%	31.7
Net assets	**13,084.0**	7,239.7	80.7
Net assets per share	**$18.69**	$11.84	57.9
Dividends declared and paid per share	**25.0¢**	16.0¢	56.3
Dividends proposed	**13.0¢**	9.0¢	44.4
* Excludes discontinued operations			

Highlights

- Very strong earnings performance, with EBIT up by 83% to $1.9 billion
- Exceptional free cash generation of $1.3 billion after sustaining capital expenditure of $183 million
- Efficiency gains achieved and internal growth projects on budget in face of disproportionately high inflation in mining
- Acquisition of one-third of Cerrejón coal mine and Tintaya copper mine completed in first half
- Net debt to equity reduced to 12.7% despite acquisitions of $2.4 billion
- Cash offer for remaining 80% of Falconbridge Limited due to close on 14 August 2006

Chief Executive's Report

Xstrata's results

Xstrata's businesses delivered another very strong earnings performance in the first half of 2006. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased to $2.26 billion and attributable profit rose to $1.13 billion, 68% and 42% higher than in the first half of the previous year respectively.

Average commodity prices for copper, zinc and, to a lesser extent, lead, were again stronger than in the comparable period, marking the third successive year of increased average prices for these metals. Higher prices were accompanied by increased volatility, with copper trading between $4,537 per tonne and $8,788 per tonne during the first six months of the year, and zinc climbing to just below $4,000 per tonne from a low of $1,912 per tonne. Average LME copper and zinc cash prices were 82% and

113% higher than the previous first half, at $6,075 per tonne and $2,762 per tonne respectively.

Average prices for Xstrata's bulk negotiated commodities of thermal coal, ferrochrome and vanadium fell back slightly from the robust levels achieved in the first half of 2005 due to increased supplies of vanadium and thermal coal (particularly from Indonesia), together with weaker stainless steel demand. Nonetheless, prices for each of these products remained significantly above historical averages. Received coking coal prices increased slightly, partly due to lower prices in the first half of 2005 relating to carry-over tonnage from the previous contract year.

Ferrochrome prices are expected to regain some ground in the second half as stainless steel producers increase output. After protracted negotiations, Xstrata Coal has agreed terms with major Japanese customers at around $52.50 per tonne for Australian thermal coal for the year beginning April 2006 and spot prices remain robust. Coking coal contracts were settled at an average of $114 per tonne. Hard coking coal continues to attract a substantial premium, while semi-soft prices are again being referenced from thermal coal prices, following a period of elevated prices in 2005, with recent industry settlements reported to be in the range of $53 to $58 per tonne FOB.

Overall, higher sales prices contributed $958 million to EBIT of $1.95 billion, 83% higher than in the comparable period.

The strengthening US dollar against local producer currencies also positively impacted results, together with higher volumes of Australian thermal coal, coking coal, copper, gold and zinc.

High Cost Inflation Environment

The full benefit of increased volumes, sales prices and favourable currency movements was tempered by the impact of significantly higher than consumer price inflation increases in the cost of mining inputs across the business. In common with the rest of the mining industry, Xstrata experienced steep increases in the cost of labour, fuel, explosives, tyres, construction materials and transport and freight charges, as demand from the mining sector continued to rise, with high levels of activity causing supply shortages and increased prices from suppliers.

The medium- and longer-term effects of operating in this high inflation environment present profound challenges to mining companies. In addition to the inevitable negative impact on operating costs and margins, rising costs and associated shortages of skills and materials make it more difficult than it has ever been for companies to assess the capital expenditure, risks to completion and timeframes associated with initiating major new expansion projects – of which there is already a significant shortage in some commodities. As a consequence, real attention is now being paid to the level of commodity prices required to incentivise mining companies to commit to new projects. It is likely that long-run price assumptions will increase as a consequence. In addition, project commitments and timetables are likely to be affected negatively, further curbing the capacity of the industry to bring on significant additional supply and supporting elevated commodity prices for an extended period of time.

Managing costs through improving the efficiency and margins of our business has been a key area for Xstrata, and one where the Group has demonstrated considerable success. I remain confident that the elements that have underpinned this performance remain intact across the Group: entrepreneurial and empowered management teams, incentivised to reduce the operating cost base of our businesses, and an unremitting focus on investment that improves the quality and value of the operations.

In order to understand how we could continually improve our cost performance, Xstrata undertook a review of inflation in mining using a combination of objective, verifiable external indices including Australian Bureau of Statistics data specific to mining, South African government statistics, external consultants and Xstrata's internal records of hyperinflation impacts from the Group's operations. This exercise demonstrated that the real inflation impact on Xstrata's costs was some $79 million higher than the impact of consumer price index (CPI) inflation alone, which added $68 million to costs.

The principal contributors to these above inflation price increases were: fuel, in particular diesel prices, which increased by $21 million or 18% period on period; power, which rose by $12 million or 8%, materials and consumables which increased by $51 million or 8% (excluding metallurgical coke in Xstrata Alloys, where improved efficiencies and the lower cost of coke achieved savings) and labour (including contractors) which escalated by $36 million or 5% period on period.

Stripping out the full impact of both CPI and mining specific inflation, Xstrata achieved real cost savings of $11 million. Real cost savings of around $42 million in total were achieved by Xstrata Zinc and Xstrata Copper, together with smaller savings at Xstrata Alloys and Xstrata's Australian coal operations during the first half. These cost savings were largely offset by increased real costs at Xstrata Coal South Africa, where a combination of difficult geological conditions, adverse weather, a reversion to more normal levels of low-cost, low-margin domestic production and a slower than expected recovery at the BHP Billiton-managed Douglas Tavistock Joint Venture impacted production and increased real unit costs. Costs in the second half are expected to stabilise at more normalised levels. Cost performance would have further been improved had Xstrata Coal not been subject to additional costs of $9 million relating to a delay in the delivery of the Newlands wash plant due to the principal contractor going into administration.

While the extraordinary inflation currently being experienced across the mining sector for certain key inputs is unlikely to ease in the second half of the year, I am confident that the full impact of these price increases will be further mitigated through ongoing real cost improvements, improved efficiency and productivity, in part due to lower cost production being brought on stream through a number of internal growth projects.

Growth from the portfolio

Despite the challenging environment and acute shortages for equipment and construction materials, the Rolleston thermal coal project in Queensland was commissioned on time and within budget in the final quarter of 2005 and was officially opened in April 2006. To date, the new mine has produced over 2.1 million tonnes and is on track for full annual production of 8 million tonnes in 2008. It retains significant low capital cost expansion potential to 12 million tonnes per annum, which will be timed to meet market demand.

As demonstrated by Rolleston, the coal business continues to benefit from a range of internal, low-risk growth options. Following Xstrata's acquisition of a one-third stake in the Cerrejón operation in Colombia, further growth potential at this operation has been added to our suite of potential low-cost, brownfield expansions in Australia and greenfield projects in South Africa, including Goedgevonden and the 5 Seams project.

These projects will be progressed according to an assessment of market outlook and subject to disciplined, long term return on capital hurdles.

In our alloys business, Project Lion is on track and on budget to commission in the second half of 2006 and will have a significant impact on Xstrata's overall cost of production of ferrochrome, using the Premus technology.

The announcement of further additional resources at the Alumbrera copper-gold mine in Argentina has extended the life of mine by another year to mid 2016. This is the third time that the Xstrata Copper team has unlocked further mineralisation at Alumbrera, adding considerable additional value for Xstrata's shareholders and to stakeholders in the region. Our near-mine activities continue with the aim of adding further to the resource base of this outstanding, low-cost asset.

We have extended our drilling programme at the Las Bambas copper project in Peru, following the positive results outlined in the Indicative and Inferred Resources statement published in March 2006, drilling over 52,000 metres in the first six months of the year. The programme is on track to drill 100,000 metres by the year end, to enable further resource information to be published early in the first quarter of 2007.

In addition, the pre-feasibility study into the Tampakan copper project in the Philippines is being progressed to enable Xstrata to make a decision shortly on whether to exercise its option to acquire 62.5%.

A major new project was approved during the first half to upgrade the zinc-lead concentrator at Mount Isa at a capital cost of $120 million, to increase capacity to 6.5 million tonnes per annum throughput, through the installation of a new SAG mill, ball mills and flotation circuit by the first half of 2008. In addition to this larger project, the zinc team has identified an innovative, smaller project that will use second-hand equipment to enable additional substantial improvements to be achieved within an accelerated timeframe, at a lower cost and despite ongoing shortages and price increases for key materials. As a result, increased ore throughput of 1.5 million tonnes per annum is expected by the final quarter of 2006 at minimal capital cost, with second-hand equipment sourced from both George Fisher mine and overseas. The cost of the equipment associated with this increase in capacity is in the region of less than $5 million.

The combination of these two projects is expected to see production increase to over 8 million tonnes by the end of 2009. As with the Alumbrera life extensions, this project is expected to deliver considerable additional value to Xstrata shareholders, increasing annual capacity for the treatment of zinc lead ore at Mount Isa by some 166% since it was acquired in 2003. In addition to the benefits associated with increased production in a period of high zinc prices, Xstrata Zinc will also be able to meet two-thirds of its own concentrate requirements, up from the current one-third.

We continue to work closely with the Northern Territory government towards approval of a change in mining method at the McArthur River Mine, with a decision expected in the second half of 2006. A public environmental report was submitted during the second quarter and further detailed analysis has been undertaken to ensure that the work required to convert the zinc-lead mine to an open cut operation can be undertaken in an environmentally responsible manner, addressing concerns raised through the previous public and governmental consultation phases.

Growth through acquisition

The first half of 2006 was marked by two major acquisitions of important new assets in coal and copper: the acquisition of a one-third interest in the Cerrejón coal mine in Colombia and of the Tintaya copper mine in Peru. These two major acquisitions were completed at a cost of $2.4 billion and represent significant additions to Xstrata's portfolio with the potential to create substantial value for shareholders. Despite only completing in April and June 2006 respectively, Cerrejón and Tintaya have added almost $30 million to Xstrata's EBIT in the first six months of the year.

Xstrata acquired 20% of Falconbridge Limited in August 2005 for $1.7 billion. Subsequently, Inco Limited announced an agreed cash and shares offer for Falconbridge in October 2005. After careful consideration of the various options open to Xstrata for further value creation from its stake in Falconbridge, an offer for the remaining 80% of Falconbridge shares was launched on 17 May 2006.

Xstrata's cash offer of C$63.25 including a special dividend of C$0.75 to be paid to shareholders on the register on 26 July 2006, is due to expire on 14 August 2006, exactly one year after our initial purchase of 20% of the company from Brascan (now Brookfield Asset Management) for C$28 per share. On 28 July 2006, Inco announced the termination of its cash and shares offer for Falconbridge.

We remain convinced of the strategic rationale for a combination of Xstrata and Falconbridge. Our purchase of a 20% stake in Falconbridge last year at C$28 per share has provided Xstrata with a unique advantage, reducing the average price per share to $56.44, enabling us to offer Falconbridge shareholders an outstanding all-cash offer while ensuring the acquisition remains attractive for our own shareholders. The combination of these two companies will create a robust, cash generative company, ideally positioned to participate further in the ongoing consolidation of the global mining and metals industry.

The financing of our all-cash offer includes the commitment to refinance a portion of the debt funding through one or more equity issuances following completion of the acquisition. The Directors of Xstrata are confident that any equity issue would be fully supported by our two major shareholders, Glencore and Credit Suisse, and will be sized to enable the group to retain its investment grade credit rating, based on the cash available within Falconbridge on acquisition, cash generation from Xstrata's assets and an assessment of both companies' ongoing capital requirements.

Balance sheet and dividend

Continued strong cash generation, together with the placing of 62 million shares on 17 May 2006 at £21 per share, enabled Xstrata to reduce net debt by $953 million to leave net debt to equity at the period end of 12.7%, notwithstanding the two major acquisitions completed during the period and sustaining capital expenditure of $183 million.

The proposed interim dividend of 13¢ per share represents an increase of 44% compared to the 2005 interim dividend, reflecting the Group's very strong financial position and the Board's continued confidence in the outlook for Xstrata either in its current form, or, following the successful acquisition of Falconbridge.

Outlook
The extended period of high commodity prices is now in its third year and looks set to continue. Recent very high prices of LME traded commodities, accompanied by increased volatility, are unlikely to represent a meaningful benchmark for longer-term prices. However our confidence in the outlook for copper and zinc remains steadfast, underpinned by detailed analysis of the demand profile for these products, and of the likely timeframe for significant increases in supply.

Increased demand for and production of stainless steel will support ferrochrome prices in the second half of the year, and the outlook for thermal coal remains very strong on the back of continued growth in US demand, additional coal-fired power generation under construction in Asia and in Europe, and the competitive price and reliability of coal compared to other energy sources. The outlook for coking coal, particularly premium product, also remains robust.

The impact of increasing costs that I have already highlighted will continue to restrain new projects, while challenging companies to maintain current profit margins. Xstrata's ability to continue to mitigate the impact of these hyperinflationary cost increases through increased productivity, sustained volume growth and ongoing efficiency improvements will remain an important competitive advantage as the Group grows.

The outlook for Xstrata is therefore very encouraging. Strong commodity prices, productivity improvements, further progress on a number of growth projects, the significant potential associated with the acquisition of Falconbridge and potential further participation in industry consolidation ensure that Xstrata is well positioned to continue to create significant value in the second half of 2006 and in the years ahead.

ML Davis

Financial Review

Basis of presentation of financial information
Financial information is presented in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. The reporting currency of Xstrata plc is US dollars. Financial statements of subsidiaries are maintained in their functional currencies and converted to US dollars on consolidation of Group results.

Unless indicated to the contrary, revenue, earnings before interest, taxation, depreciation and amortisation (EBITDA) and earnings before interest and taxation (EBIT) are reported in the Chief Executive's Report and the Operating and Financial Review before non-trading items (BNI). Non-trading items are material items of income and expense which, due to their nature or expected infrequency, are presented separately in the income statement. All dollar and cent figures provided refer to US dollars and cents.

Consolidated operational results

CONSOLIDATED RESULTS (includes minority interests)

$m	**Six months to 30.06.06**	Six months to 30.06.05	Year ended 31.12.05
Alloys	432.0	638.9	1,115.5
Coal	1,692.5	1,645.4	3,400.4
Copper	1,718.2	778.2	2,007.8
Zinc	1,283.9	671.8	1,448.9
Technology	51.7	31.4	77.2
Total Group Revenue	**5,178.3**	**3,765.7**	**8,049.8**
Attributable Total Group Revenue	*4,615.0*	*3,528.1*	*7,228.3*
Alloys	98.7	210.6	349.9
Coal	582.7	642.5	1,346.5
Copper*	1,184.0	409.3	1,131.1
Zinc	433.1	128.7	303.1
Technology	9.0	4.5	13.5
Share of earnings from Falconbridge	-	-	21.0
Corporate and unallocated	(44.1)	(37.6)	(62.0)
Total Group EBITDA	**2,263.4**	**1,358.0**	**3,103.1**
Attributable Total Group EBITDA	*1,834.3*	*1,143.4*	*2,715.3*
Alloys	83.2	192.7	317.1
Coal	426.4	515.0	1,079.3
Copper*	1,076.8	307.4	919.5
Zinc	400.2	95.8	238.7
Technology	7.2	2.8	9.8
Share of earnings from Falconbridge	-	-	21.0
Corporate and unallocated	(46.4)	(39.5)	(65.9)
Total Group EBIT	**1,947.4**	**1,074.2**	**2,519.5**
Attributable Total Group EBIT	*1,547.4*	*893.0*	*2,200.0*
*Excludes share of results from associates			

Sustained, stronger commodity prices, particularly in exchange-traded metals, materially lifted Xstrata's revenues in the first half of the year. Turnover rose by almost 38% to $5,178 million, and EBITDA increased by around 68% to $2,263 million.

EBIT increased to $1,947 million, on the back of both higher received sales prices and volumes. Stronger sales prices contributed an additional $958 million of EBIT, whilst higher volumes and a stronger US dollar against local currencies also positively impacted earnings. The full benefit of higher prices and volumes was partially offset by increased cost pressures, a consistent trend across the mining sector.

As outlined in the Chief Executive's Report, robust demand and shortages for key inputs including raw materials and mining equipment, together with increased competition for skilled labour have resulted in extraordinary increases in mining industry input prices, far in advance of CPI inflation.

Previous reports quantified only the impact of CPI inflation on operating costs. Due to the exceptional price increases specific to the mining industry, Xstrata has also calculated the impact of this mining industry inflation on operating costs, To do so, third party indices have been referenced which relate specifically to the mining industry and to Xstrata's main input costs, such as those published by the Australian Bureau of Statistics and South African government statistics.

Based on these calculations, mining inflation increased Group operating costs by $79 million, over and above CPI inflation of $68 million in the first half of 2006 compared to the same period in 2005. Stripping out the impact of the extraordinary inflation experienced in the mining industry and the effect of normal CPI inflation, real unit costs improved by $11 million in a very challenging environment. Volume increases contributed $38 million in increased EBIT due to higher Australian thermal and coking coal production with the commencement of Rolleston and a second longwall at Oaky No. 1 in Queensland and improved copper volumes at Alumbrera.

EBIT VARIANCES

	$m
EBIT 30.06.05	**1,074.2**
Sales price*	958.4
Volumes	38.1
Unit cost – real	11.2
Unit cost – CPI inflation	(68.2)
Unit cost – mining industry inflation	(78.6)
Unit cost – foreign exchange	87.3
Foreign currency hedging	(37.2)
Other income and expenses	(15.4)
Depreciation and amortisation (excluding foreign exchange)	(22.4)
EBIT 30.06.06	**1,947.4**

*net of commodity price linked costs, treatment and refining charges

AVERAGE COMMODITY PRICES

	Unit	**Six months to 30.06.06**	Six months to 30.06.05	% Change
Australian FOB export coking*	$/t	**117.8**	100.3	17.4
Australian FOB export semi-soft coking*	$/t	**73.2**	63.7	14.9
Australian FOB export thermal coal*	$/t	**47.0**	50.2	(6.4)
Colombian FOB export thermal coal*	$/t	**48.8**	-	-
South African export thermal coal*	$/t	**45.1**	49.1	(8.1)
Copper (LME average)	$/t	**6,075**	3,333	82.3
Lead (LME average)	$/t	**1,171**	983	19.1
Zinc (LME average)	$/t	**2,762**	1,295	113.3
Ferrochrome (Metal Bulletin)	¢/lb	**66.6**	75.5	(11.8)
Ferrovanadium (Metal Bulletin)	$/kg	**40.5**	88.0	(54.0)
*average received price				

In the first half of 2006, coking and semi soft received prices were higher than the comparative period, due to the impact in the first half of the previous year of lower priced carryover tonnes from the Japanese contract year. Received export thermal coal prices were marginally lower than the prior year, but remained well above long run average prices. The impact on Xstrata's results of these lower prices was more than offset by a rapid escalation in base metal prices, with copper and zinc in particular demonstrating strong gains in the first six months of the year. Ferrochrome prices were slightly weaker, due to lower demand from the stainless steel sector, and whilst ferrovanadium prices dropped substantially from their peaks of early 2005, prices remain above historical levels.

CURRENCY TABLE TO $

	Average H106	Average H105	% change	**At 30.06.06**	At 30.06.05	At 31.12.05
USD:ARS	3.07	2.91	5.5	3.09	2.89	3.03
AUD:USD	0.74	0.77	3.9	0.74	0.76	0.73
USD:CAD	1.14	-	-	1.12	-	1.16
USD:CHF	1.27	1.20	5.8	1.22	1.28	1.31
EUR:USD	1.23	1.28	3.9	1.28	1.21	1.18
GBP:USD	1.79	1.87	4.3	1.85	1.79	1.72
USD:ZAR	6.31	6.21	1.6	7.17	6.65	6.33

The stronger US dollar against each of the local currencies in Xstrata's operating regions during the first half of 2006 gave rise to a favourable variance to EBIT of $87 million, offset partially by currency hedging losses which were $37 million higher than in the prior period. The average Australian dollar and South African rand exchange rates were 4% and 2% weaker respectively against the US dollar compared to the first half of 2005.

Earnings

EARNINGS SUMMARY

$m	***Six months to 30.06.06***	*Six months to 30.06.05*	*Year ended 31.12.05*
EBIT	**1,947.4**	1,074.2	2,519.5
Net interest (excl. loan issue costs written-off and realised net foreign currency translation gains)	**(63.4)**	(30.2)	(91.9)
Income tax expense	**(491.6)**	(216.1)	(551.0)
Minority interests	**(255.6)**	(67.1)	(216.5)
Attributable profit (operating)	**1,136.8**	760.8	1,660.1
Earnings per share (BNI)*	**180¢**	123¢	271¢
WMC offer costs	**-**	(10.3)	(10.3)
Loan issue costs written-off	**-**	(17.3)	(17.3)
Net recycled gains from foreign currency translation reserve	**(4.0)**	51.9	61.9
Income tax on non-trading items	**-**	8.3	8.3
Profit on sale of discontinued forestry operation	**-**	3.7	3.7
	(4.0)	36.3	46.3
Attributable profit	**1,132.8**	797.1	1,706.4
Earnings per share*	**179¢**	128¢	279¢
* Calculated using same weighted average number of shares used to calculate the statutory basic earnings per share			

The effective tax rate for the period was 26.1% compared to 19.4% for the six months ended 30 June 2005. The effective tax rate rose primarily due to increased taxable earnings in 2006, and, to a lesser extent, due to the impact of deferred tax credits in the first half of 2005, following the introduction of a lower South African corporate tax rate5.

Minority interests rose steeply due to increased profitability at Alumbrera during the period.

EBIT Sensitivity

$m	**Impact on H206 EBIT**	**Indicative full year EBIT**
1¢/lb movement in ferrochrome price	5.4	12.8
$1/kg movement in ferrovanadium price	2.1	4.9
$1/tonne movement in Australian thermal export FOB coal price	6.9	32.9
$1/tonne movement in Australian coking export FOB coal price	0.9	5.7
$1/tonne movement in Colombian export thermal FOB coal price	n/a†	8.3
$1/tonne movement in South African export thermal FOB coal price	0.5	13.8
1¢/lb movement in copper price	6.3	11.9
$10/oz movement in gold price	3.1	5.9
1¢/lb movement in zinc price	5.2	10.4
$10/tonne movement in zinc treatment charge price	5.2	3.9
1¢/lb movement in lead price	2.4	3.7
10% movement ARS	2.0	4.3
10% movement AUD	135.6	278.2
10% movement EUR	12.2	24.3
10% movement GBP	0.8	1.8
10% movement ZAR	54.2	110.4

*After impact of currency and commodity hedging, and contracted, priced sales as at 30 June 2006

** Assuming current annualised production and sales profiles, no currency or commodity hedging and no contracted, priced sales and purchases at 30 June 2006

† Not available due to confidentiality provisions within shareholder agreements

Cash Flow, Net Debt and Financing Summary

$m	**Six months to 30.06.06**	Six months to 30.06.05
Cash generated from operations	1,957.9	1,136.6
Net interest paid	(67.8)	(33.7)
Dividends received	8.6	0.5
Tax paid	(419.5)	(255.3)
Cash flow before capital expenditure	1,479.2	848.1
Sustaining capital expenditure	(182.7)	(153.6)
Disposals of fixed assets	3.7	5.0
Free cash flow	1,300.2	699.5
Expansionary capital expenditure	(279.0)	(151.4)
Cash flow before acquisitions	1,021.2	548.1
Investments	(2.7)	(5.1)
Purchase of subsidiaries net of cash acquired	(2,397.6)	(60.3)
Sale of Forestry operation, net of cash disposed	-	25.2
Net cash flow before financing	(1,379.1)	507.9
Purchase of own shares	(10.9)	(227.9)
Sale and issue of own shares	2,384.7	12.1
Equity dividends paid	(159.5)	(100.0)
Dividends paid to minority interests	(167.5)	(68.0)
Redemption of minority interests	(46.5)	-
Foreign exchange adjustment	0.4	11.5
Debt acquired with operations	-	(5.7)
Debt disposed of with operations	-	12.0
Redemption of convertible debenture	318.9	-
Adoption of IAS 32/39 movements on convertible bond	-	42.3
Borrowing costs written off	-	(17.3)
New finance leases	-	(40.9)
Other non-cash movements	13.2	(3.5)
Movement in net debt	953.7	122.5
Net debt at the start of the year	(2,611.1)	(1,472.0)
Net debt at the end of the period*	(1,657.4)	(1,349.5)
* Includes 100% of Alumbrera cash and third party shareholder loans		

Xstrata's operations generated $1.3 billion of free cash flow during the first half of 2006 after funding sustaining capital expenditure of $183 million.

On 17 May, the day that Xstrata announced its offer to acquire the remaining 80% of Falconbridge not already owned by Xstrata, 62 million Xstrata shares were placed in the market at £21.00 per share. The placement comprised 32.5 million new shares and 29.5 million shares that were previously held by Batiss Investments under Xstrata's Equity Capital Management Programme (ECMP).

This cash further strengthened the balance sheet and in conjunction with strong operational cash flow, reduced net debt by $954 million in the first six months of 2006. At period end, net debt to equity was approximately 13%, a reduction of six percentage points in the first half of the year. This reduction was achieved despite combined cash outflow of nearly $2.4 billion dollars associated with the purchase of an interest in the Cerrejón coal mine in Colombia and the Tintaya copper operation in Peru.

RECONCILIATION OF EBITDA TO CASH GENERATED FROM OPERATIONS

$m	**Six months to 30.06.06**	Six months to 30.06.05
EBITDA	**2,263.4**	1,358.0
Share of results from associates	(1.2)	(1.3)
Net profit on disposal of property, plant & equipment	(2.9)	-
Increase / (decrease) in inventories	(45.1)	(92.9)
Increase in trade and other receivables	(371.0)	(53.1)
Increase / (decrease) in deferred stripping and other assets	(105.5)	(90.7)
Increase in trade and other payables	182.2	12.1
Movement in provisions and other non-cash items	38.0	4.5
Cash generated from operations	1,957.9	1,136.6

NET DEBT SUMMARY

$m	**As at 30.06.06**	As at 30.06.05	As at 31.12.05
Cash	**956.6**	263.8	524.1
External borrowings	**(2,416.3)**	(1,403.0)	(2,917.6)
Arrangement fees	**26.0**	11.9	11.2
Finance leases	**(223.7)**	(222.2)	(228.8)
Net debt *	**(1,657.4)**	(1,349.5)	(2,611.1)
Net debt to equity	**12.7%**	18.6%	32.1%
By currency:			
AUD	**37.3**	(61.4)	35.0
EUR	**(0.3)**	1.8	8.3
GBP	**(5.8)**	(1.1)	10.2
USD	**(1,805.6)**	(1,276.9)	(2,663.6)
ZAR	**110.2**	(12.6)	(3.8)
Other	**6.8**	0.7	2.8
Net debt by currency	**(1,657.4)**	(1,349.5)	(2,611.1)
* Includes 100% of Alumbrera cash			

Working Capital

WORKING CAPITAL

$m	**As at 30.06.06**	As at 30.06.05	As at 31.12.05
Inventories	**1,067.4**	851.7	890.7
Trade and other receivables	**1,618.0**	918.4	1,138.3
Prepayments	**91.6**	51.6	98.8
Trade and other payables	**(1,157.8)**	(759.6)	(945.8)
Net working capital	**1,619.2**	1,062.1	1,182.0

The differences between the working capital balances above and the movements shown in the EBITDA cash flow reconciliation reflect non-cash items such as movements in exchange rates and non-current assets, such as deferred stripping.

Trade receivables increased due to higher metals sales prices and receivables relating to acquired operations. Higher inventories are mainly due to the higher cost of European smelter feedstock and inventories acquired with the purchases of Cerrejón and Tintaya.

Treasury Management and Financial Instruments

The Group is generally exposed to US dollars through its revenue stream. The Group will seek to source debt capital in US dollars directly or by borrowing in other currencies and swapping them into US dollars, thus matching the negative exposure of debt service obligations against the positive exposure of revenue.

Currency Hedging

Currency cash flow hedging may be used to reduce the Group's short-term exposure to fluctuations in the local currency exchange rates to the US dollar, Sterling and Euro. The currency hedging losses reflected in the income statement for the period ended 30 June 2006 amounted to $5 million compared to gains of $32 million for the corresponding period in 2005. The unrealised mark-to-market position for currency hedging at 30 June 2006 was $0.4 million. Australian dollar hedging is taken out in respect of US dollar priced coal sales.

FOREIGN CURRENCY FORWARD CONTRACTS

Currencies	Forward sale $m 30.06.06	Weighted average exchange rate	Fair value $m 30.06.06
Maturing 2006			
$ to AUD	124.1	0.7403	0.2
AUD to GBP	5.5	0.3902	(0.2)
$ to JPY	1.8	109.13	(0.1)
EUR to ZAR	2.6	7.8464	0.4
$ to EUR	8.6	1.2815	-
Maturing 2007			
$ to AUD	27.5	0.7409	-
$ to JPY	6.6	105.37	(0.2)
EUR to ZAR	3.0	7.9685	0.4
$ to EUR	14.2	1.3142	-
Maturing 2008			
$ to AUD	11.1	0.7397	(0.1)
Total			**0.4**

Commodity Hedging

Cash flow hedges relating to sales in the second half of 2006 are shown in the table below. The fair value of these hedges is deferred within equity on the balance sheet *until the sale is recorded. The unrealised mark-to-market loss on commodity hedging* maturing in the second half of 2006 as at 30 June 2006 was $74 million, based on the forward curve at that time.

COMMODITY FORWARD AND OPTION CONTRACTS IMPACTING H2 2006 EARNINGS**

	Commodity	Volume	Average price $*	Fair value $m 30.06.06
Thermal coal (tonnes)	$ Coal	3,115,000	53.04	(5.6)
Gold (ounces)	AUD Gold	36,250	530.13	(3.4)
Gold forwards (ounces)	$ Gold	34,753	374.37	(8.6)
Gold collars (ounces)	$ Gold	25,500	500-584	(1.6)
Copper (tonnes)	$ Copper	10,600	2,747.00	(47.2)
Silver (ounces)	$ Silver	2,400,000	7.47	(7.9)
Total				**(74.3)**
* The average price is stated in US dollars and where necessary has been converted from foreign currencies at period end exchange rates.				
** Refer to Annual Report 2005, note 39 to the financial statements, for details of contracts maturing in 2007				

No new hedging contracts were entered into for base metals, gold or silver during the first half of 2006. Copper hedges outstanding at December 2005 and falling due over the course of 2006 were substantially allocated against the income statement during the first half, to leave forward contracts representing 10,600 tonnes of copper due to impact Group earnings in the second half of the year. Xstrata Coal has an ongoing hedging programme for thermal coal, principally from South Africa, and hedges a portion of forecast production when pricing opportunities exist in the forward market.

Interest Rate Hedging
The Group normally borrows and invests at floating rates of interest and will generally swap any fixed rate exposure into floating interest rates. A limited amount of fixed rate hedging may be undertaken during periods where the Group's exposure to movements in short-term interest rates is more significant. The unrealised mark-to-market loss on interest rate hedging in place at 30 June 2006 was $26 million.

INTEREST RATE SWAPS

	Principal $m	Average rate %	Fair value $m 30.06.06
Maturing 2010			
Interest rate swapped from fixed rates	600	4.5	(25.6)

Consolidated Capital Expenditure

CAPITAL EXPENDITURE SUMMARY (excludes deferred stripping expenditure)

$m	**Six months to 30.06.06**	Six months to 30.06.05	Year ended 31.12.05
Alloys	15.6	10.8	34.8
Coal	67.3	70.6	187.7
Copper	57.7	38.2	115.3
Zinc	40.7	31.8	88.8
Technology	0.5	0.2	0.7
Unallocated	0.7	1.4	2.6
Total Sustaining	**182.5**	153.0	429.9
Attributable Sustaining	*175.1*	*139.6*	*415.8*
Alloys	99.7	48.9	168.8
Coal	96.9	128.0	280.9
Copper	40.1	10.8	35.3
Zinc	39.7	9.9	32.2
Technology	0.2	-	-
Total Expansionary	**276.6**	197.6	517.2
Attributable Expansionary	272.3	*190.5*	*512.3*
Alloys	115.3	59.7	203.6
Coal	164.2	198.6	468.6
Copper	97.8	49.0	150.6
Zinc	80.4	41.7	121.0
Technology	0.7	0.2	0.7
Unallocated	0.7	1.4	2.6
Total	**459.1**	350.6	947.1
Attributable total	*447.4*	*330.1*	*928.1*

Expansionary capital expenditure rose to $277 million, 40% higher than the same period last year, as a number of new projects were commissioned or progressed during the first half. Major items of expansionary capital expenditure included the Project Lion ferrochrome smelter in South Africa as it prepares for commissioning in the second half of 2006, continued development of the Mototolo PGM project (a joint venture with Anglo Platinum), ongoing expansions to the copper smelter at Mount Isa, a new coal wash plant at Collinsville coal mine and the acquisition of a further dragline at the Rolleston operation in Queensland.

Total capital expenditure for 2006 is expected to be approximately $950 million, around $50 million higher than the guidance provided at the announcement of full year results in March 2006. The additional capital expenditure is principally due to the approval during the first half of an accelerated revamp of the zinc-lead concentrator at Mount Isa, at a total capital cost of $120 million. This project has been brought forward to take advantage of continuing strong zinc prices and will increase throughput by 1.5 million tonnes of ore per annum once completed.

Acquisitions
In the first half of 2006, Xstrata made two major acquisitions at a total value of $2.4 billion. On 20 April, the Xstrata coal business acquired a one third share of the Cerrejón thermal coal business for $1.7 billion.

The acquisition of the Tintaya copper mine in Peru was completed on 21 June 2006 for a headline figure of $750 million and a working capital adjustment of $66 million. During the first half of the year, $693 million was paid to BHP Billiton. A further $123 million was paid to the Peruvian government in relation to the acquisition in July 2006.

Dividends
The Directors have proposed a 2006 interim dividend of 13¢ per share amounting to $91 million which will be paid on 13 October 2006. The final 2005 dividend of 25¢ per share amounting to $160 million was paid on 19 May 2006.

DIVIDEND DATES

	2006
Ex-dividend date	20 September
Deadline for return of currency election forms	20 September
Record date	22 September
Applicable exchange rate date	6 October
Payment date	13 October

As Xstrata plc is a Swiss tax resident company, the dividend payment will be taxed at source in Switzerland at the rate of 35%. A full or partial refund of this tax may be available in certain circumstances.

The interim dividend is declared and will be paid in US dollars. Shareholders may elect to receive this dividend in Sterling, Euros or Swiss francs. The Sterling, Euro or Swiss francs amount payable will be determined by reference to the exchange rates applicable to the US dollar seven days prior to the dividend payment date. Dividends can be paid directly into a UK bank or building society account to shareholders who elect for their dividend to be paid in Sterling.

Further details regarding tax refunds on dividend payment, together with currency election and dividend mandate forms, are available from Xstrata's website (www.xstrata.com) or from the Company's Registrars.

Share Data

Under IFRS, own shares (treasury stock) are deducted from the total issued share capital when calculating earnings per share. During the period, 2.2 million shares were sold in the market and 3 million shares were issued relating to the disposal of Xstrata equity allotted to an Employee Share Ownership Trust, (an employees' share scheme as that term is defined for the purposes of the Companies Act 1985 and within the provisions), to service the exercise of employee share options.

SHARE PRICE

	XTA LSE (GBP)	XTA SWX (CHF)
Closing price 31.12.05	13.60	30.75
Closing price 30.06.06	20.50	46.35
Period high	24.80	56.70
Period low	14.20	32.00
Period average	18.32	41.63

SHARES IN ISSUE FOR EPS CALCULATIONS

	Number of shares (000s)
2006 Weighted average for 6 months ended 30.06.06 used for statutory eps calculation	631,713
2005 Weighted average for 6 months ended 30.06.05 used for statutory eps calculation	622,628
Total issued share capital	704,845

Equity Capital Management Programme

Under the equity capital management programme (ECMP), up to 10% of the issued capital of Xstrata plc can be purchased in the market by Batiss Investments, a Guernsey-registered entity owned by a trust and legally independent of the Xstrata Group. During the first half, 29.5 million shares held by the trust were sold at an average price of GBP 21.00 per share with the gain taken directly to the Group's reserves. No shares were purchased under the ECMP during the period, and no shares are held in the trust at 30 June 2006.

PUBLICLY DISCLOSED MAJOR SHAREHOLDERS

Name of shareholder	Number of Ordinary shares of US$0.50 each	% of Ordinary issued share capital
Credit Suisse Securities (Europe) Limited	151,920,672	21.55
Glencore International AG	101,040,400	14.33

*Pursuant to a capital management programme, as announced on 29 May 2003, entered into by Credit Suisse First Boston Equities Limited (CSFB Equities) and Credit Suisse Securities (Europe) Limited (CSSE), and Glencore International AG (Glencore), in connection with the Group's acquisition of the MIM Group and the associated rights issue, Glencore, CSFB Equities and CSSE are jointly interested in 253,016,311 ordinary shares representing 35.89% of the issued share capital of the Company. In addition to the interests arising as a result of CSFB Equities and CSSE entering into the capital management programme, the company has been informed by Credit Suisse Group has an interest in a further 10,933,107 Ordinary Shares, representing approximately 1.55% of the issued outstanding ordinary shares of Xstrata.

Xstrata Alloys

Chrome

FINANCIAL AND OPERATING DATA

$m	**Six months to 30.06.06**	Six months to 30.06.05	Year ended 31.12.05
Revenue	**331.4**	447.9	797.5
EBITDA	**36.3**	116.4	168.8
Depreciation & amortisation	**(11.9)**	(12.2)	(24.4)
Impairment of assets	**(0.5)**	(2.9)	(2.9)
EBIT	**23.9**	101.3	141.5
Net assets	**874.0**	597.1	726.0
Capital employed	**879.1**	725.3	851.0
Share of Group EBIT	**1.2%**	9.4%	5.6%
Share of Group net assets	**6.7%**	8.2%	8.9%
Return on capital employed*	**5.0%**	26.1%	16.7%
Capital expenditure	**112.8**	54.4	187.3
Sustaining	**13.4**	8.4	25.9
Expansionary	**99.4**	46.0	161.4
Attributable saleable production (kt)	**456.1**	591.8	1,121.7
Indicative average published price (¢/lb) (Metal Bulletin)	**66.6**	75.5	73.0
*ROCE % based on average exchange rates for the period			

Markets
Primary stainless steel production, which declined by around 1% in 2005, continued to be weak in the early part of the year. These weak market conditions resulted in a further 5¢ drop in the base price for ferrochrome from 68¢ at year end, to 63¢ in the first quarter. Weak stainless melt production combined with higher ferrochrome production in 2005 from China (up by 54%), and Russia (up by around 76%) led to an increase in ferrochrome stocks towards the year end. Due to the continued appreciation of the rand, together with soft market conditions for ferrochrome, a number of South African producers announced production cutbacks in the second half of 2005. The temporary closure of capacity extended into 2006 with the prevailing weakness in the stainless melt sector in the first quarter.

The second quarter of the year has seen a turnaround for the ferrochrome business. Stainless melt production has increased sharply, as service centres and fabricators returned to the market to replenish inventories and meet growing demand, particularly in Europe. Supported by this significant increase in demand, the ferrochrome base price increased by 11.5% to 70.25¢ per pound in the second quarter.

Global stainless steel melt production is estimated to increase to 26.4 million tonnes in 2006, 8.6% higher than 2005 production levels. Production from Western Europe and Africa is anticipated to grow by around 7%, with smaller increases in central and eastern Europe, and the Americas. China is forecast to become the leading stainless steel producer in 2006 with growth of 35%, taking annual production to approximately 4.5 million tonnes. Consequently, demand for ferrochrome is expected to show good growth of around 8% to over 6 million tonnes for the full year 2006, resulting in improved ferrochrome production capacity utilisation, and increased sales volumes in the second half.

Most major stainless producers report strong order books through the third quarter, with lead times increasing. The continuing strong stainless steel market has supported a further ferrochrome price increase in the third quarter of 4.75¢, taking the current European base price to 75¢ per pound.

Operations

Turnover in the first half of 2006 decreased by 26% compared to the first half of 2005, predominantly driven by softer global demand for ferrochrome and resultant reduced production and weaker prices. EBIT fell by 76% from the comparable period last year to $24 million.

During the first half of 2006, all major South African producers reduced production in an attempt to restore balance to the market. The available operating capacity of the Xstrata-Merafe Chrome Venture was reduced by some 15% compared to the same period last year through furnace closures, providing the opportunity for the refurbishment of plant and equipment. Improved market demand from the second quarter should facilitate a stronger operating performance in the second half of the year. Three furnaces are expected to be returned to production at the end of the South African winter.

Despite the absorption of higher fixed cost structures due to reduced operating capacity, cost performance was in line with the comparable period after adjusting for the impact of inflation. Reductant prices fell from the very high levels seen last year and improved quality of furnace feed stock assisted positively in metallurgical efficiencies. The weakening of the South African rand in June 2006 bodes well for future margin improvement.

The Xstrata-Merafe Chrome Venture continues to mature, with Merafe's share increasing to 20.5% at the end of the first half of 2006, through its participation in the Lion Project and disproportionate participation in the Gemini and Marikana transactions with Samancor during the last year.

The mining division has been active in its submissions to the Department of Minerals and Energy for New Order Prospecting and Mining Rights, and for the conversion of Old Order Mining and Prospecting Rights under the Minerals and Petroleum Resources Development Act, 2002. The Department of Minerals and Energy Affairs has recently confirmed the grant of three conversion applications, and is currently in the process of executing these rights.

EBIT VARIANCES

	$m
EBIT 30.06.05	**101.3**
Sales price*	(34.7)
Volumes	(16.1)
Unit cost – real	(0.1)
Unit cost – CPI inflation	(9.4)
Unit cost – mining sector inflation	(4.7)
Unit cost – foreign exchange	5.8
Other income and expenses	(18.7)
Corporate social involvement	0.3
Depreciation and amortisation (excluding foreign exchange)	
EBIT 30.06.06	**23.9**

*Net of commodity price linked costs

Developments

Project Lion

Phase one of Project Lion is nearing completion and is on schedule for a phased commissioning in the second half of 2006. The chromite pre-reduction kilns will be commissioned, as planned, during August and September. This will reduce the risk to the ensuing furnace commissioning with the availability of hot feed stock from the kilns. Notwithstanding the significant time impact of several equipment quality and supply delays, the project team has managed to recover lost time and is on track to commission this 360,000 tonnes per annum facility in the second half of 2006 as planned. The development of the associated Helena mine has been completed with mine production ramped up to design capacity.

The project is expected to deliver significant cost savings compared to current industry averages, arising from improved efficiencies in energy, ore and reductant consumption. Ramp up to full production is expected in the first half of 2007 and overall the project remains on budget, despite significant cost inflation for key inputs.

Bokomoso

Construction of Project Bokomoso, a 1.2 million tonnes per annum pelletising and sintering plant, started in May 2006 with commissioning expected in the second quarter of 2007. Orders for long-lead items have been placed with delivery of key equipment from Finnish based Outokumpu Technologies expected in the third quarter of 2006.

Although Outokumpu equipment and technology are standard for these types of plants, some innovative and proven modifications have been incorporated into the design through the experience gained from the Boshoek plant operation, which employs the same technology. Capital expenditure remains within budget.

Mototolo

Abnormally high rainfall during February and March, in conjunction with poor ground conditions experienced in the southern shaft, caused temporary setbacks to the initial phase of construction. An accelerated mining plan will ensure project start-up as scheduled.

Construction on the concentrator is on track with hot commissioning scheduled for the final quarter of 2006. Mining production is scheduled to ramp up in line with demand from the concentrator, with full production expected by the end of 2007. Capital expenditure remains within budget.

Vanadium

FINANCIAL AND OPERATING DATA

$m	**Six months to 30.06.06**	Six months to 30.06.05	Year ended 31.12.05
Revenue	**100.6**	191.0	318.0
EBITDA	**62.4**	94.2	181.1
Depreciation & amortisation	**(3.1)**	(2.8)	(5.5)
EBIT	**59.3**	91.4	175.6
Net assets	**140.8**	141.0	128.2
Capital employed	**141.5**	141.9	128.5
Share of Group EBIT	**3.0%**	8.5%	7.0%
Share of Group net assets	**1.1%**	2.0%	1.6%
Return on capital employed*	**73.7%**	119.8%	137.5%
Capital expenditure	**2.5**	5.3	16.3
Sustaining	**2.2**	2.4	8.9
Expansionary	**0.3**	2.9	7.4
Attributable saleable production			
Vanadium pentoxide(k lbs)	**10,143**	10,016	20,166
Ferrovanadium (k kg)	**2,291**	2,551	4,936
Indicative average published prices			
Vanadium pentoxide ($/lb) (Metal Bulletin)	**8.4**	20.6	16.3
Ferrovanadium ($/kg V) (Metal Bulletin)	**40.5**	88.0	70.5
* ROCE % based on average exchange rates for the period			

Markets

Carbon steel, the major market for vanadium, continued to show solid growth of approximately 7% in the first half of 2006. The associated strong demand for vanadium, despite increases in vanadium supply primarily from Chinese steel and vanadium co-producers, has resulted in a continued robust vanadium market.

Increased demand has essentially been driven by solid economic growth in Europe, the CIS, North America and especially China. These markets account for over 70% of global vanadium demand in aggregate. With continued growth anticipated in carbon steel production, the market for vanadium units should remain firm during the second half of 2006. Over time, supply of vanadium units is expected to increase and two major Chinese suppliers have indicated plans to increase capacity over the next three years to meet the expected growth in demand.

Ferrovanadium prices have declined from the record high levels seen in the first half of 2005 of around $88 per kilogram and have stabilized at an average of $41 per kilogram for the first half of 2006. This compares to an average price for 2005 of $70 per kilogram, but is still well above the historic 10 year average of $20.60 per kilogram.

Operations
EBIT VARIANCES

	$m
EBIT 30.06.05	**91.4**
Sales price*	(44.9)
Volumes	(9.5)
Unit cost – real	1.5
Unit cost – CPI inflation	(1.5)
Unit cost – mining sector inflation	(0.5)
Unit cost – foreign exchange	0.2
Other income and expenses	23.1
Depreciation and amortisation (excluding foreign exchange)	(0.5)
EBIT 30.06.06	**59.3**
*net of commodity price linked costs	

Following an exceptionally strong comparative period in 2005 and despite significant weakening in prices, the vanadium division recorded another very strong half-year performance in 2006.

Revenues of $101 million were 47% lower than the comparative period, while EBIT decreased to a lesser extent by 35% to $59 million. Lower sales prices in the first half contributed to lower earnings compared to 2005, offset by unit cost improvements in ferrovanadium production.

Unit costs for vanadium pentoxide production rose by 4% in real terms, due to increased raw material costs for soda ash and ammonium sulphate. However, unit costs for ferrovanadium were 3% lower in real terms, due to increased process efficiencies overall, compared to the previous period. Ferrovanadium production volumes were 10% lower period on period. Overall, unit costs were reduced by $1.5 million compared to the same period last year.

Following completion of a number of capital projects undertaken at Xstrata's Rhovan operation in 2005, vanadium pentoxide production volumes increased by 1.3% compared to the first half of 2005. Production was further bolstered by completion of the planned annual kiln shutdown 12 days ahead of schedule. The present focus of the vanadium business is on further improving production volumes by increasing kiln and beneficiation efficiencies.

Developments
As previously reported, Xstrata's Rhovan vanadium plant has the potential to increase vanadium pentoxide production capacity by approximately 8.5 million pounds per annum through a low cost brownfield expansion which would positively impact unit costs of production. The Environmental Management Programme Report for the project is well advanced and it is expected that a capital application will be submitted for consideration to Xstrata's Board during the second half of 2006.

Xstrata Coal

FINANCIAL AND OPERATING DATA

$m	**Six months to 30.06.06**	Six months to 30.06.05	Year ended 31.12.05
Revenue: operations†	**1,630.1**	1,556.6	3,208.4
Coking Australia	**284.0**	256.5	536.7
Thermal Australia	**961.4**	950.7	1,935.4
Thermal Colombia	**76.1**	-	-
Thermal South Africa	**308.6**	349.4	736.3
Revenue: other	**62.4**	88.8	192.0
Thermal Australia	**51.6**	56.3	138.1
Thermal South Africa	**10.8**	32.5	53.9
Total revenue	**1,692.5**	1,645.4	3,400.4
Coking Australia	**284.0**	256.5	536.7
Thermal Australia	**1,013.0**	1,007.0	2,073.5
Thermal Colombia	**76.1**	-	-
Thermal South Africa	**319.4**	381.9	790.2
EBITDA	**582.7**	642.5	1,346.5
Coking Australia	**151.3**	113.2	278.0
Thermal Australia	**333.5**	401.8	812.4
Thermal Colombia	**41.6**	-	-
Thermal South Africa	**56.3**	127.5	256.1
Depreciation & amortisation	**(156.3)**	(127.5)	(267.2)
Coking Australia	**(19.3)**	(15.8)	(34.5)
Thermal Australia	**(83.5)**	(75.2)	(154.7)
Thermal Colombia	**(13.5)**	-	-
Thermal South Africa	**(40.0)**	(36.5)	(78.0)
EBIT	**426.4**	515.0	1,079.3
Coking Australia	**132.0**	97.4	243.5
Thermal Australia	**250.0**	326.6	657.7
Thermal Colombia	**28.1**	-	-
Thermal South Africa	**16.3**	91.0	178.1
Net assets	**6,148.6**	4,276.1	4,458.5
Australia	**3,081.7**	2,872.1	2,991.1
Canada	**5.7**	-	-
Colombia	**1,738.4**	-	-
South Africa	**1,322.8**	1,404.0	1,467.4
Capital employed	**6,376.9**	4,506.9	4,692.5
Australia	**3,303.8**	3,094.2	3,217.4
Canada	**5.7**	-	-
Colombia	**1,738.4**	-	-
South Africa	**1,329.0**	1,412.7	1,475.1
Share of Group EBIT	**21.9%**	47.9%	42.8%
Australia	**19.7%**	39.4%	35.7%
Colombia	**1.4%**	-	-
South Africa	**0.8%**	8.5%	7.1%
Share of Group net assets	**47.0%**	59.1%	54.8%
Australia	**23.6%**	39.7%	36.8%
Colombia	**13.3%**	-	-
South Africa	**10.1%**	19.4%	18.0%
Return on capital employed*	**15.8%**	22.2%	22.4%

Australia	**23.1%**	27.0%	26.9%
Colombia	**9.7%**	-	-
South Africa	**2.2%**	12.1%	12.1%
Capital expenditure	**164.2**	198.6	468.6
Australia	**125.3**	178.7	403.6
Canada	**2.3**	-	-
Colombia	**6.3**	-	-
South Africa	**30.3**	19.9	65.0
Sustaining	**67.3**	70.6	187.7
Expansionary	**96.9**	128.0	280.9

* ROCE % based on average exchange rates for the period
† Includes purchased coal for blending with mine production

PRODUCTION DATA

(million tonnes)	**Six months to 30.06.06**	Six months to 30.06.05	Year ended 31.12.05
Total consolidated production	**32.7**	29.6	61.8
Queensland coking	**2.7**	2.4	4.8
NSW semi-soft coking	**2.9**	2.5	4.8
Australian thermal	**16.9**	15.5	33.6
Colombian thermal	**1.6**	-	-
South African thermal	**8.6**	9.2	18.6
Consolidated Australian sales total	**23.2**	21.2	42.7
Queensland coking export	**2.4**	2.5	4.8
NSW semi-soft coking export	**2.9**	2.5	4.8
Thermal export	**14.2**	14.2	28.1
Domestic	**3.7**	2.0	5.0
Consolidated South African sales total	**8.6**	9.6	20.4
Thermal export	**6.0**	6.3	13.5
Thermal domestic	**2.6**	3.3	6.9
Consolidated Colombian sales total	**1.6**	-	-
Thermal export	**1.6**	-	-
Attributable Australian sales total	**22.6**	20.0	40.1
Queensland coking export	**2.4**	2.5	4.8
NSW semi-soft coking export	**2.8**	2.3	4.4
Thermal export	**13.8**	13.2	26.1
Domestic	**3.6**	2.0	4.8
Attributable Colombian sales total	**1.6**	-	-
Thermal export	**1.6**	-	-
Attributable South African sales total	**8.6**	9.6	20.4
Thermal export	**6.0**	6.3	13.5
Thermal domestic	**2.6**	3.3	6.9
Average received export FOB coal price ($/t)			
Queensland coking	**117.8**	100.3	111.5
NSW semi-soft coking	**73.2**	63.7	70.3
Australian thermal	**47.0**	50.2	51.2
Colombian thermal	**48.8**	-	-
South African thermal	**45.1**	49.1	48.5

Markets

Far East and Australian Thermal Coal Markets

During the first half of 2006 global demand for thermal coal increased by 15% and led to a recovery in spot prices. The increase in demand was largely as a result of a cold and sustained northern hemisphere winter, together with the commissioning of a number of new coal fired power stations in Taiwan and Korea.

Relatively flat exports from Australia and a continuing decline in Chinese exports were offset to some extent by growth in Indonesian exports. Demand in the traditional North Asian markets of Japan, Korea and Taiwan grew by 3% over the first six months of 2006, however import demand has been particularly strong in China, India and Thailand, with demand from India alone growing by over 70% compared with the prior period.

The vast majority of thermal coal production in China continues to be consumed domestically. As at June 2006, Chinese thermal coal exports were a further 13% lower year on year, after an 18% decline in 2005 on 2004 levels.

Thermal coal exports from Australia increased marginally in the first half but remain constrained by supply side issues, including production problems at several large New South Wales mines, labour and equipment shortages and ongoing infrastructure constraints. While exports to the traditional Japanese, Korean and Taiwanese markets were flat year on year, sales to the emerging Chinese, Philippine and Thai markets increased.

Indonesian exports continued to grow rapidly and were up by around 40% period on period. A large proportion of Indonesian thermal coal growth is sub-bituminous, of a lower calorific value quality, and does not compete directly with the majority of Australian bituminous thermal coal exports. Indonesian supply growth met much of the increased demand in the Pacific and in particular, is becoming the major supplier to the rapidly growing Indian market.

In late June 2006, Xstrata Coal reached agreement on prices for the April 2006 to March 2007 contract year with major Japanese thermal coal customers at around $52.50 per tonne. This resulted in an average export thermal price out of Australia for the first half of $47 per tonne.

The majority of Xstrata Coal's Australian thermal coal export sales continues to be sold into the Asian market, in particular Japan, Taiwan and Korea. Sales have also been maintained into the Mexican market, with further diversification into the Chinese, Philippine and Chilean markets.

Xstrata Coal's Rolleston mine in Queensland, which was commissioned in October 2005 and officially opened in April 2006, has increased sales in line with the planned ramp up in production and to date has supplied coal to Japan, Korea, China, Taiwan, Hong Kong, Chile and Europe.

Most of Xstrata Coal's domestic sales are to power utilities in New South Wales and Queensland under long term contracts and importantly provide market diversification and an outlet for products not readily suitable to the export market. Domestic thermal coal supply represents almost 20% of Xstrata Coal's total Australian thermal coal sales by volume.

European and South African Thermal Coal Markets
The weakness in the Atlantic market experienced in the latter half of 2005 recovered during the first quarter of 2006 due to robust demand, coupled with supply constraints in a number of key exporting countries.

In the first quarter of 2006, the market tightened rapidly with prices reaching above $55 per tonne by the end of March 2006. Prices softened during the second quarter as the peak winter demand eased, however continued supply side pressures supported prices at just above $50 per tonne.

In South Africa during the first half of 2006, a number of derailments continued to impact the availability of export coal from Richards Bay. In addition to this, mine production shortfalls, coupled with sustained heavy rains over the summer season, reduced export stocks and availability at both mines and the port. It is now unlikely that exports from South Africa will match or improve on 2005 levels.

Colombian exports, while expected to grow, are again unlikely to meet market expectations, with adverse weather, strikes linked to protracted wage negotiations and equipment availability all negatively impacting first half production and availability of export coal.

Russian exports remain robust with solid growth expected as prices remain positive. While availability was extremely tight over the winter season to the end of the first quarter due to logistical difficulties and domestic demand, pressure is expected to ease during the summer months. Nonetheless, much of the coal produced in Russia is already committed. Supply from Poland is likely to decline or at best remain stable as the severe winter impacted stocks and availability.

A combination of the cold northern hemisphere winter, declining Chinese exports and rising imports, and a tight supply situation (particularly in Australia) assisted in offsetting the effects of strong export growth from Indonesia. With firm FOB prices and stable freight differentials, Pacific swing supply into Europe remained in line with expectations.

An extremely cold and sustained European winter, coupled with record electricity and gas prices, supported coal demand as utilities maximised coal use due to extremely profitable margins. This occurred notwithstanding unprecedented volatility in the EU carbon dioxide (CO_2) emissions trading scheme, with carbon credits peaking at over €30 per tonne of CO_2 and collapsing to a low of €8 per tonne of CO_2, as conflicting information on various countries' long and short CO_2 positions influenced traders. Even at peak pricing for carbon credits, on balance, coal remains the most economic fuel for power generation in Europe.

Import volume growth from the Americas, in particular the United States, continued to absorb a significant share of the growth in Colombian exports while Scandinavia's coal burn recovered somewhat to balance Nordic hydro availability. Hydro reserves in the Iberian Peninsular remain below long term averages and coal imports should remain well supported. In the UK, while imports are not expected to grow at the same rate as in 2005, continued pressure on domestic production and high winter gas prices will continue to increase import volumes.

Xstrata Coal South Africa achieved an average export price of $45.12 per tonne FOB in the first half of 2006, inclusive of lower grade exports, 8% lower than the corresponding period last year. Export sales volumes were 6% lower period on period due to three cape size cargoes scheduled for June loading only sailing in early July.

In South Africa, domestic demand from Eskom remained strong, while the overall market remained stable amidst tight availability of higher quality coal, linked to production shortfalls.

The outlook for demand from Eskom remains positive due to the continued replacement of previously contracted volumes, the replenishment of significant shortfalls in existing tied colliery supply volumes, and the sourcing of additional supply for plants to be re-commissioned post moth-balling.

Coking Coal Markets

Metallurgical coal market demand remained flat over the course of the first half of 2006. Increased pig iron production in China has not resulted in increased imports of coking coals, as coking coals of a poorer quality are being used in the steel making process.

The reduction in Chinese coking coal imports, the availability of low cost Chinese coke and the shutdown of a Brazilian furnace were the key factors that dampened the very buoyant market seen last year.

Despite a drop from the record prices achieved in 2004, demand for hard coking coal remains strong and continues to command a high premium over historical prices. On the other hand, prices for lesser grade products such as semi soft weakened as new semi hard coking coal brands began to enter the market.

However, the marginal decline in Australian coking coal exports during the first half of 2006 was primarily attributable to ongoing supply side issues relating to production difficulties, skills shortages and a series of planned longwall moves rather than any market impact.

Ongoing high premia for hard coking coal during 2006 stimulated increased interest by non-traditional European markets for Xstrata's high volatile semi soft coking coal to reduce costs. Xstrata Coal has continued to maintain market diversification for coking coal sales securing over 40% of sales to consumers outside East Asian markets for the period. Enhanced diversification opportunities are anticipated through sales of semi soft coking coal and new hard coking coal volume into non traditional markets.

Term prices for premium quality hard coking coal were established by the BHP Billiton Mitsubishi Alliance (BMA) and the Japanese Steel Mills (JSM) in January 2006 at about $115 per tonne, some 8% lower year on year. Prices for lower quality hard coking coals were discounted by a greater percentage, reflecting the increasing supply of these poorer coal qualities.

Xstrata Coal's hard coking coal prices for the 2006-07 contract year have been agreed with term customers in Europe and Asia at an average level of $114 FOB per tonne. Prices for Xstrata Coal's semi soft coking coals are presently under negotiation. Recent settlements by other producers of semi soft coal were made within the range of $53 to $58 FOB per tonne.

Global steel production forecasts continue to show growth in Brazil, Russia, India and China. Construction of new integrated blast furnaces in Brazil and India in particular, will continue to drive demand growth for imported coking coal.

Operations
Xstrata Coal's global operations were impacted by significant cost inflation in the first half of 2006. Global fuel prices rose to record highs, 30% higher than the corresponding period last year. Furthermore, a global shortage of supply of explosives and tyres caused a rapid escalation in the costs of those products.

Coal mining sector inflation has been calculated based on external indices for materials, labour and distribution costs. For example, the Australian Bureau of Statistics Material Index for Coal Mining has indicated price inflation on mining materials on an annualised basis (period of March 2005 to March 2006) of around 13.5% for open cut and 5.9% for underground mines. This inflation rate will differ dependent upon the relative proportion of materials, labour and distribution costs.

After allowing for the impact of mining sector inflation, Xstrata Coal has continued to deliver real unit cost savings in the Australian coking and thermal coal businesses, where performance would have been even stronger if not for the impact of an extended *delay to the completion of the Newlands wash plant.*

The performance of the South African coal operations was disappointing, where, after excluding the impact of mining sector inflation, underlying real unit costs increased due to a number of significant mining, geological and production issues outlined further in the report.

While forecasts indicate the inflationary environment is set to continue, Xstrata Coal is working to mitigate cost increases through productivity improvements and the implementation of cost management initiatives.

EBIT VARIANCES

	$m
EBIT 30.06.05	**515.0**
Sales price*	(16.0)
Volumes	24.0
Unit cost – real	(31.8)
Unit cost – inflation	(34.0)
Unit cost – mining sector inflation	(38.3)
Unit cost – foreign exchange	46.3
Acquisitions	28.1
Foreign currency hedging	(46.0)
Corporate social involvement	(1.3)
Depreciation and amortisation (excluding foreign exchange)	(19.6)
EBIT 30.06.06	**426.4**

*Net of commodity price linked costs

Australian thermal coal
Saleable production for the first half of 2006 was 19.8 million tonnes, 10% or 1.8 million tonnes higher than the prior period. This increase was driven by the commencement of production at Rolleston in Queensland and the start up of Ravensworth West in New South Wales. The Beltana mine continued to operate at a managed rate of seven million tonnes per annum maintaining its position, as the most productive underground operation in Australia, while the Ulan open cut remains the most productive open cut mine in New South Wales. Longwall production at the Newlands Northern Underground also commenced during the period and replaced production from the Southern Underground which closed in September 2005.

- Real unit cash costs in both Australian and US dollars were lower period on period after stripping out the impact of mining industry inflation. These cost savings were delivered despite the economically beneficial decision to mine some higher cost reserves during the period.

While total exports of Australian thermal coal only increased marginally during the period, Xstrata's export sales for the first half of 2006 increased by 2% to 17.1 million tonnes. EBIT decreased by 23% period on period to $250 million, down from $327 million in the first half of 2005. This decrease was primarily driven by lower coal prices and inflationary impacts.

Australian coking coal
Coking coal production for the first half of 2006 increased by 11% on the corresponding period to 2.7 million tonnes. This was mainly due to increased production at Oaky No 1 following the commencement of a second longwall unit in December 2005. Correspondingly, the proportion of higher cost production from the Oaky Creek open cut operation was reduced, benefiting unit costs. In addition, mining commenced at the lower cost Wollombi deposit at Newlands late in the first half.

Unit cash costs decreased by 9% period on period as a result of these productivity improvements, which were partially offset by the inflation in prices for mining inputs including fuel, steel and explosives.

Coking export sales for the first half at 2.4 million tonnes were consistent with the prior period. EBIT increased by 35% from $97 million to $132 million period on period, boosted by significantly higher prices and reduced unit costs.

South Africa
Saleable production for the first half of 2006 decreased by 6% to 8.6 million tonnes, down from 9.2 million tonnes period on period. The South African operations were impacted in the first half by high rainfall, difficult geological and mining conditions and some low equipment availability resulting in lower levels of production.

In real terms, local currency cash unit costs increased by 23% period on period, due to these difficult operating conditions, as well as slower than expected recovery at the non-Xstrata managed Douglas Tavistock Joint Venture. In nominal terms, including mining sector inflation, US dollar unit cash costs increased by 28%.

EBIT decreased to $16 million, down 82% from $91 million in the corresponding period, primarily due to increased real unit costs, lower export volumes in the first half and slightly lower sales prices.

Production is expected to increase in the second half of the year as operations enter new mining sections and as a result of capital investment in improving efficiency. Overall, it is expected that costs in South Africa will reduce in the remainder of the year as a result of improved productivity, and the resolution of many of the issues that impacted the first half performance. The future strategy to commission the low cost, open cut Goedgevonden project and implement other efficiency initiatives such as technologically improved high capacity coal handling and preparation plants and train loading facilities, will provide the platform for continuous improvement. The Goedgevonden project has been planned for some time to coincide with the expansion of the Richards Bay coal terminal.

Colombia
Xstrata's one third interest in Cerrejón contributed 1.6 million tonnes of saleable product and EBIT of $28.1 million in the two months since completion of the acquisition.

Developments
Australia
Xstrata Coal's Australian operations recorded capital expenditure of $125 million in the first half of 2006, with the majority of the expenditure in Queensland.

The Rolleston thermal coal mine was commissioned in October 2005, officially opened on 27 April 2006, and by the end of the first half had produced 2.1 million tonnes of coal as production ramped up as planned. Production for the full year is on track to reach 5 million tonnes on a managed basis.

The Northern Underground longwall at Newlands successfully commenced production in February this year. The newly installed second longwall at Oaky Creek No 1 also performed successfully during the period and good progress was made on expansion plans at Mount Owen and Liddell, together with an extension to the low cost underground mine at Bulga.

The upgrade of the Oaky Creek washery was completed in June, which is expected to increase the operational yield for the remainder of the year. The installation of a new washery plant at Collinsville was progressed during the first half and is expected to be completed early in the third quarter. Completion of the Newlands wash plant is marginally behind schedule due to a dispute with the primary contractor, but is still targeted for commissioning late in the second half of 2006. Development for the new Ulan longwall operation continued, with installation scheduled for the second half of 2006. A new low cost prime coking coal operation within the Newlands mining complex, known as Wollombi, commenced mining in June, with full production expected to ramp up in 2007.

South Africa
On 28 February 2006, Xstrata announced the establishment of ARM Coal, a major new black-controlled coal mining company, 51% owned by African Rainbow Minerals Limited and 49% owned by Xstrata Coal. The new company has a 20% equity-based participation interest in Xstrata Coal's South African operations and a 51% interest in the joint venture to be formed to develop the greenfield Goedgevonden project, providing it with an effective interest in Xstrata's South African coal business in excess of 26%. The transaction received regulatory clearance at the end of June and completion is expected to occur in the third quarter.

Capital expenditure for Xstrata Coal's South African operations in the first half of the year totalled $30 million. This included $25 million on sustaining programmes and $5 million on expansion projects, including preparation for the Southstock 5 Seam open pit project, which will have an annual capacity of 1.5 million tonnes of coal, and the Goedgevonden project. The Goedgevonden project will be managed by Xstrata Coal on behalf of the joint venture. The project will require two years for construction and development and will produce around 3 million tonnes of export product and 3 to 4 million tonnes for domestic power generation. ARM Coal will apply for additional export capacity for the Goedgevonden project in the Revised Phase V Expansion of Richards Bay Coal Terminal.

- Expenditure in the second half is expected to increase due to further sustaining capital maintenance projects and further development of the Southstock 5 Seam and Goedgevonden projects.

Colombia

In March 2006, Xstrata announced the acquisition of one-third of the Cerrejón thermal coal operation in Colombia from Glencore International AG for $1.7 billion. The transaction completed in April 2006. Work continues on the expansion of Cerrejón from 28 million tonnes per annum to 32 million tonnes per annum.

Xstrata Copper

CONSOLIDATED FINANCIAL AND OPERATING DATA

$m	Six months to 30.06.06	Six months to 30.06.05	Year ended 31.12.05
Revenue	1,718.2	778.2	2,007.8
Australia	821.2	459.5	1,158.4
South America†	897.0	318.7	849.4
EBITDA	1,184.0	409.3	1,131.1
Australia	533.8	219.5	594.4
South America†	650.2	189.8	536.7
Depreciation & amortisation	(107.2)	(100.0)	(209.7)
Australia	(51.7)	(49.1)	(106.7)
South America†	(55.5)	(50.9)	(103.0)
Impairment of assets	-	(1.9)	(1.9)
South America†	-	(1.9)	(1.9)
EBIT	1,076.8	307.4	919.5
Australia	482.1	170.4	487.7
South America†	594.7	137.0	431.8
Net assets	2,897.9	2,003.1	1,985.5
Australia	990.1	1,094.3	977.6
South America†	1,907.8	908.8	1,007.9
Capital employed	2,978.9	2,084.2	2,066.6
Australia	990.1	1,094.3	977.6
South America†	1,988.8	989.9	1,089.0
Share of Group EBIT	55.3%	28.6%	36.5%
Australia	24.8%	15.8%	19.4%
South America†	30.5%	12.8%	17.1%
Share of Group net assets	22.2%	27.7%	24.4%
Australia	7.6%	15.1%	12.0%
South America†	14.6%	12.6%	12.4%
Return on capital employed*	103.3%	29.3%	44.9%
Australia	97.3%	30.7%	48.0%
South America†	108.8%	27.7%	39.7%
Capital expenditure	97.8	49.0	150.6
Australia	70.0	34.5	115.9
South America†	27.8	14.5	34.7
Sustaining	57.7	38.2	115.3
Expansionary	40.1	10.8	35.3
* ROCE % based on average exchange rates for the period † 100% consolidated figures			

OPERATING DATA

	Six months to 30.06.06	Six months to 30.06.05	Year ended 31.12.05
Australia – Mount Isa			
Ore mined (t)	2,880,023	2,598,308	5,602,711
Copper head grade (%)	3.75	3.11	3.36
Ore treated (t)††	2,866,373	2,635,856	5,638,312
Concentrate produced from ore (t)	393,373	304,092	693,948
Copper in concentrate from ore (t)	100,342	76,895	177,482
Australia – Ernest Henry			
Material mined (t)	29,273,427	35,323,706	69,014,027
Ore mined (t)	4,614,570	5,433,243	11,500,928
Copper head grade (%)	0.96	1.26	1.21
Gold head grade (g/t)	0.49	0.61	0.60
Ore treated (t)	5,250,389	5,581,642	11,425,284
Concentrate produced from ore (t)	160,013	224,239	442,407
Copper in concentrate from ore (t)	47,804	65,258	129,010
Gold in concentrate from ore (oz)	60,672	83,130	167,224
Total – Australia			
Concentrate produced from ore (t)	553,386	528,331	1,136,355
Copper in concentrate from ore (t)	148,146	142,153	306,492
Gold in concentrate from ore (oz)	60,672	83,130	167,224
Anode copper (t)	100,701	108,728	220,263
Refined copper (t)	104,498	105,672	219,198
North Queensland cash cost (C1) post by-product credits (US¢/lb)	72.1	74.5	71.4
South America – Alumbrera†			
Material mined (t)	54,239,808	57,078,087	114,925,223
Ore mined (t)	13,111,643	17,808,482	33,372,003
Copper head grade (%)	0.62	0.53	0.57
Gold head grade (%)	0.77	0.57	0.63
Ore treated (t)	18,082,962	18,347,417	36,607,985
Concentrate produced (t)	373,872	321,213	693,873
Copper in concentrate from ore (t)	99,932	86,818	187,317
Gold in concentrate from ore (oz)	309,012	234,734	517,776
Gold in doré (oz)	39,615	22,594	59,521
Total gold (oz)	348,627	257,328	577,298
Cash cost (C1) – post by-product credits (US¢/lb)	23.5	35.4	35.1
Total copper in concentrate produced from ore (t)	248,078	228,971	493,809
Total gold in concentrate produced from ore (oz)	369,684	317,864	685,000

† 100% consolidated figures
†† Includes mined ore only and excludes impact of reprocessed slag

SALES VOLUMES

	Six months to 30.06.06	Six months to 30.06.05	Year ended 31.12.05
Australia – North Queensland			
Refined copper (t)	102,242	105,193	221,317
Copper in concentrate (t) (payable metal)	29,946	19,742	61,886
Other products (t) (payable metal)	384	-	8,528
Third party sourced (t) (payable metal)	-	-	-
Total copper (t) (payable metal)	132,572	124,935	291,731
Gold in concentrate and slimes (oz) (payable metal)	46,225	65,280	159,097
South America – Alumbrera†			
Copper in concentrate (t) (payable metal)	93,285	75,513	184,001
Gold in concentrate (oz) (payable metal)	288,491	214,658	507,742
Gold in doré (oz) (payable metal)	41,475	27,537	57,298
Total gold (oz) (payable metal)	329,966	242,195	565,040
Total copper sales (t)	225,857	200,448	475,732
Total gold sales (oz)	376,191	307,475	724,137
Average LME copper price ($/t)	6,075	3,333	3,684
Average LBM gold price ($/oz)	580	427	445

Markets

Strong demand growth, low exchange inventories and global supply side disruptions drove copper prices to new highs during the first half of 2006. The LME copper price averaged 275¢ per pound for the first six months of the year, an increase of 82% over the corresponding period in 2005.

In contrast to the first half of 2005, copper demand from the major Western consuming regions was stronger than expected, while Chinese consumption growth has been *limited by inventory de-stocking. Over the first six months of the year, global copper* inventories increased marginally by 8,300 tonnes to 164,800 tonnes, still a critically low level that represents just three and a half days' consumption.

The oversupply of copper concentrate that accumulated in 2005 has largely been eroded by increased smelting capacity and a series of mine production problems that include lower ore grades, water availability and technical issues. Spot concentrate treatment and refining charges have slumped from $135 per dry metric tonne and 13.5¢ per pound at the beginning of 2006 to less than $50 per dry metric tonne and 5¢ per pound at the end of June.

The growing mismatch between concentrate supply and demand will maintain the downward trend in treatment and refining charges over the balance of the year. Demand growth in Europe and the US is expected to remain strong while an end to Chinese inventory de-stocking should generate stronger consumption growth over the second half. This, together with the potential for further supply-side disruptions, should add support to prices over the balance of the year.

Operations
EBIT VARIANCES

	$m
EBIT 30.06.05	**307.4**
Sales price*	709.9
Volumes	64.3
Unit cost – real	27.1
Unit cost – inflation	(11.8)
Unit cost – mining inflation	(22.6)
Unit cost – foreign exchange	24.0
Acquisitions	1.6
Other income and expenses	(9.8)
Corporate social involvement	(8.9)
Depreciation and amortisation (excluding foreign exchange)	(4.4)
EBIT 30.06.06	**1,076.8**

*net of commodity price linked costs, treatment and refining charges

Australia
The North Queensland division achieved a strong increase in EBIT to $482 million in the first half of 2006, up by 183% from the corresponding period in 2005. EBITDA increased by 143% to $534 million in 2006. Stronger copper and gold prices were the main contributors to improved profitability, although a weaker Australian dollar in 2006 and increased copper production and sales volumes also assisted financial performance. These benefits were marginally offset by the higher inflationary costs currently being experienced by the mining sector as a whole. Revenue increased by 79% to $821 million.

The Mount Isa copper operations achieved a strong first half, with ore production from the underground mines increasing by 11% over the corresponding period in 2005 and copper head grades improving by 21%. These factors combined to increase contained metal produced by 30% compared to the corresponding period in 2005.

However, at the Ernest Henry operation, copper and gold head grades were 24% lower, in line with the mine plan. The harder ores associated with the lower copper grades resulted in a 6% decrease in ore milled in 2006, partially offset by improved plant runtimes. Material mined at Ernest Henry was 17% lower compared to the prior first half due to significant rainfall events in April and May.

Copper smelter production was 7% lower than the first half of 2005, primarily due to the smelter rebrick in June 2006. However, the Townsville copper refinery saleable cathode production of 104,498 tonnes in the first half of 2006 was only 1% lower than the corresponding period in 2005 due to reduced scrap level and more efficient tankhouse capacity utilisation.

North Queensland unit costs on a C1 basis were 72.1¢ per pound compared to 74.5¢ per pound in 2005. Lower refined copper production was offset by continued progress in cost management initiatives including more effective management of energy and water demand. The higher gold price, which was 36% higher than in the first half of 2005, more than offset lower gold grades and resulted in by-product credits exceeding the prior period by 2¢ per pound.

- Copper in concentrate production volumes are expected to be slightly lower in the second half with scheduled lower ore grades partially offset by increased tonnages. Production and sales of refined metal will be stronger than the first half following completion of the copper smelter triennial shutdown and as the smelter expansion projects at Mount Isa to expand capacity to 280,000 tonnes per annum are progressively completed. The final expanded capacity of 300,000 tonnes per annum is expected to be reached in the first half of 2007.

South America
Minera Alumbrera achieved an impressive financial performance for the first half, characterised by high realised prices supported by strong operational performance. EBIT rose to $595 million, 334% higher than the corresponding period in 2005. Turnover of $897 million reflected continuing stronger US dollar prices for copper and a 24% increase in concentrate sales volumes.

Concentrate produced was 16% higher than the corresponding period in 2005. Although mill throughput at Alumbrera was 1% lower than the corresponding period due to maintenance deferred from late 2005, this was more than offset by higher copper head grades, which were 18% higher than the corresponding period.

Low operating costs continued to be a highlight of the Alumbrera business, with average C1 cash operating costs for the first half of 23.5¢ per pound of copper produced (net of gold credits). This represents a 34% decrease in C1 cash costs compared to the corresponding period in 2005. The unit cost decrease is the result of higher by-product gold prices and volumes, and lower sea freight charges offset partially by higher treatment price participation and FOR cost increases, together with the benefit of higher production levels versus the prior period.

Production and sales volumes for both copper and gold are expected to remain strong during the second half of 2006 due to continued positive operating conditions and the buoyant outlook for the concentrate market.

Developments
Australia
Development work for the Northern 3500 underground copper ore body at Mount Isa's Enterprise copper mine is continuing. Capital work is progressing according to schedule and on budget with capital expenditure of $23 million to the end of June 2006. Project development is scheduled for completion in late 2006.

A new copper leaching plant, constructed to recover around 2,500 tonnes per annum of additional copper from the electrostatic precipitator dust in the Mount Isa copper smelter was successfully commissioned at the end of the first half of 2006.

The commissioning of a second rotary holding furnace at Mount Isa is scheduled for the third quarter, and, together with other associated projects, will increase the smelter capacity to 280,000 tonnes per annum by the end of the third quarter. The total capital cost for this stage of the smelter expansion is expected to be within the original estimate of $31 million.

Resource definition and exploration activities continued during the first half in the Mount Isa/Cloncurry region.

South America

Minera Alumbrera

The further expansion of the throughput capacity of the Alumbrera concentrator to 40 million tonnes per annum is progressing on time and within budget, with full production scheduled for December 2006. The expansion is expected to increase efficiencies and fully utilise the downstream capacity of the pipeline, filter plant and port facilities.

An ongoing ore delineation drilling programme in the Alumbrera pit, undertaken both within the existing ore envelope and for extensions at depth, has confirmed 40 million tonnes of additional ore reserves. The mine plan was re-optimised based on a new geological model with additional mineralisation, and together with improved final pit slope angles resulted in an increase in contained metal reserves of more than 10%. This equates to an additional 120,000 tonnes of contained copper and 0.4 million ounces of gold over the life of the mine. The expansion will extend the Alumbrera mine life by a further year and will ensure metal production into 2016 including the expanded mill throughput profile. A new Ore Reserve Statement for Alumbrera is available on Xstrata's website, based on the new geological model and the update of the pit topography at 30 June 2006.

Alumbrera will continue with the intensive in-pit resource definition programme with the objective of adding further ore reserves to the Alumbrera business in the coming year.

Las Bambas

During the first six months of 2006, 52,300 metres of diamond drilling were completed towards a target of 100,000 metres by year end. Logging, sampling, assaying and geological modelling are moving forward concurrently with the drilling, which focused on expanding resources at the Ferrobamba, Chalcobamba and Sulfobamba deposits. Encouraging results, showing similar geology and grades as indicated in the initial Mineral Resources Statement, published in March 2006, have been encountered to the limits of current drilling. Initial drill testing of the Charcas and Azuljaja prospects has also been undertaken. The next Mineral Resource update for Las Bambas will be reported in the first quarter of 2007.

Tintaya

In May 2006, Xstrata announced its acquisition of the Tintaya mine and associated satellite deposits in Peru, from BHP Billiton. Tintaya is an open pit copper mining and processing operation in the high Andes region of southern Peru, comprising a copper concentrator and SX/EW processing plant. The acquisition expands Xstrata Copper's current production portfolio with an additional 120,000 tonnes of copper in cathode and concentrate per annum, consolidates Xstrata's position as a significant Latin American copper producer and together with Las Bambas extends the regional presence of Xstrata in southern Peru.

The acquisition of Tintaya was completed on 21 June 2006, and the integration process will be completed by the end of the third quarter.

Philippines

Xstrata holds an option to acquire 62.5% of the Tampakan copper-gold deposit in the Philippines. During the first half of 2006, the current project owner, Indophil Resources, continued to sole fund and manage a pre-feasibility study, scheduled for completion in September 2006. In April 2006 a new Mineral Resource estimate was published, showing 1,500 million tonnes at 0.67% copper and 0.25 grammes per tonne gold at a cut-off grade of 0.4% copper. During the first half of 2006, the focus of Xstrata's activities has been to monitor and support Indophil's work programme and to assess the project in sufficient detail to enable a decision regarding the exercise of the option shortly.

Xstrata Zinc

FINANCIAL AND OPERATING DATA

$m	Six months to 30.06.06	Six months to 30.06.05	Year ended 31.12.05
Revenue	**1,283.9**	**671.8**	**1,448.9**
Zinc lead Australia	182.8	107.9	240.3
Zinc Europe	919.9	454.6	950.9
Lead Europe	181.2	109.3	257.7
EBITDA	**433.1**	**128.7**	**303.1**
Zinc lead Australia	206.9	44.8	125.5
Zinc Europe	218.7	76.5	155.7
Lead Europe	7.5	7.4	21.9
Depreciation & amortisation	**(32.9)**	**(32.9)**	**(64.4)**
Zinc lead Australia	(15.0)	(14.1)	(28.5)
Zinc Europe	(15.8)	(16.6)	(31.8)
Lead Europe	(2.1)	(2.2)	(4.1)
EBIT	**400.2**	**95.8**	**238.7**
Zinc lead Australia	191.9	30.7	97.0
Zinc Europe	202.9	59.9	123.9
Lead Europe	5.4	5.2	17.8
Net assets	**1,468.8**	**1,270.3**	**1,183.0**
Australia	344.8	349.0	225.2
Europe	1,124.0	921.3	957.8
Capital employed	**1,492.0**	**1,284.5**	**1,186.7**
Australia	344.7	349.0	225.2
Europe	1,147.3	935.5	961.5
Share of Group EBIT	**20.6%**	**8.9%**	**9.5%**
Australia	9.9%	2.8%	3.8%
Europe	10.7%	6.1%	5.7%
Share of Group net assets	**11.2%**	**17.5%**	**14.5%**
Australia	2.6%	4.7%	2.8%
Europe	8.6%	12.8%	11.7%
Return on capital employed*	**55.2%**	**14.2%**	**19.2%**
Australia	111.2%	17.6%	41.4%
Europe	37.7%	13.1%	14.0%
Capital expenditure	**80.4**	**41.7**	**121.0**
Australia	60.0	28.3	79.3
Europe	20.4	13.4	41.7
Sustaining	40.7	31.8	88.8
Expansionary	39.7	9.9	32.2
* ROCE % based on average exchange rates for the period			

PRODUCTION DATA

	Six months to 30.06.06	Six months to 30.06.05	Year ended 31.12.05
Europe – San Juan de Nieva			
Zinc metal (t)	250,805	248,437	501,413
Europe – Nordenham			
Zinc metal (t)	77,113	74,116	147,494
Europe – Northfleet			
Mount Isa sourced lead (t)	73,107	81,630	161,350
Other lead (t)	4,997	-	-
Total lead (t)	78,104	81,630	161,350
Mount Isa refined silver (koz)	4,833	4,959	11,859
Other silver (koz)	2	-	-
Total silver (koz)	4,835	4,959	11,859
Australia – Mount Isa			
Ore mined (t)	2,064,562	2,135,614	4,775,967
Zinc head grade (%)	6.7	7.3	7.0
Lead head grade (%)	4.1	4.8	4.7
Silver head grade (g/t)	89.2	109.6	111.9
Ore treated (t)	2,037,034	2,032,100	4,355,765
Zinc in concentrate (t)	94,204	114,184	231,167
Lead in lead/silver bullion (t)	61,194	79,964	159,557
Lead in purchased concentrate (t)	9,123	17,279	26,596
Silver in crude lead (koz)	3,570	5,961	11,362
Silver in purchased concentrate (koz)	1,220	2,556	4,034
Cash cost (C1) – post by-product credits (US¢/lb)	52.4	38.6	32.9
Australia – McArthur River **			
Ore mined (t)	706,600	560,370	1,828,373
Zinc head grade (%)	10.9	12.3	11.9
Lead head grade (%)	3.9	5.2	4.9
Ore treated (t)	881,648	596,988	1,676,535
Zinc in concentrate (t)	65,741	56,527	153,644
Lead in concentrate (t)	13,827	12,795	34,483
Silver in concentrate (koz)	533	514	1,390
Cash cost (C1) – post by-product credits (US¢/lb)	74.1	49.8	52.9
Average LME zinc price ($/t)	2,762	1,295	1,382
Average LME lead price ($/t)	1,171	983	976
Average LBM silver price ($/oz)	10.98	7.01	7.31

**From 1 July 2005, 100% of McArthur River Mine (MRM) results are included, following Xstrata's acquisition of the remaining 25% of MRM in the second half of 2005.

SALES VOLUMES

	Six months to 30.06.06	**Six months to 30.06.05**	**Year ended 31.12.05**
Europe – San Juan de Nieva			
Refined zinc (t)	226,243	234,554	454,593
Toll-treated zinc (t)	7,005	7,045	23,889
Total zinc (t)	233,248	241,599	478,482
Europe – Nordenham			
Refined zinc (t)	81,303	70,748	149,290
Europe – Northfleet			
Refined lead (t)	95,455	65,749	148,912
Refined silver (koz)	4,424	4,673	12,089
Australia – Mount Isa			
Zinc in concentrate (t) third party sales (payable metal)	33,742	63,117	129,507
Zinc in concentrate (t) inter-company sales (payable metal)	28,591	26,802	65,649
Total zinc (t) (payable metal)	62,333	89,919	195,156
Lead in concentrate (t) third party sales (payable metal)	0	3,841	7,876
Lead in bullion (t) inter-company sales (payable metal)	46,439	71,360	159,907
Total lead (t) (payable metal)	46,439	75,201	167,783
Silver in concentrate (koz) third party sales (payable metal)	99	365	799
Silver in bullion (koz) inter-company sales (payable metal)	2,837	5,275	11,295
Total silver (koz) (payable metal)	2,936	5,640	12,094
Australia – McArthur River*			
Zinc in concentrate (t) third party sales (payable metal)	53,661	44,161	122,317
Lead in concentrate (t) third party sales (payable metal)	10,987	8,295	23,552
Silver in concentrate (koz) third party sales (payable metal)	128	115	320

* From 1 July 2005, MRM results are included at 100%, due to Xstrata's acquisition of the remaining 25% interest in the operation in the second half of 2005.

Markets

Zinc

Supply of refined zinc remained in deficit during the first half of 2006, reflected in a drawdown in LME warehouse stocks of 177,000 tonnes of zinc metal. Global zinc demand is growing at close to 5% per annum, supported by strong economic growth in most regions, with zinc consumption recovering in Europe and North America. The massive investment in China's construction and infrastructure projects and the resultant demand for all types of steel has led to a surge in continuous galvanising output, which is driving growth in Chinese consumption of around 12% on an annualised basis.

The continuing tightness in the zinc concentrate market is still constraining refined zinc production growth to less than 3% year on year. While mine production is increasing, this has been hampered by a global scarcity of skilled personnel, equipment and other supplies and services, in common with much of the mining industry.

Consequently, the fundamentals of the zinc market remain very strong. Total reported stocks of refined zinc decreased steadily during the first half of the year and at the end of the first half represented less than five weeks of global consumption, the lowest level since 1991. LME zinc prices responded strongly in the first half of the year, rising above $2,000 per tonne in early January and above $3,000 per tonne by mid April. The average LME price for zinc during the first half was $2,762 per tonne compared to an average of $1,295 in the same period of last year. Given the strong market fundamentals, zinc prices are expected to remain strong in the second half of the year.

Lead

In key European, Chinese and North American markets, demand for lead increased with healthy growth in almost every sector. Globally, demand has grown by around 3% to 4% per annum. In particular, European demand strengthened, due to buoyant demand for starting, lighting and ignition (SLI) batteries in the automobile industry.

The industrial battery sector has also benefited from increased end user demand in sectors where standby power is required, leading producers to operate at close to maximum capacity. Investment and expansion in China has also continued to fuel growth in battery demand, resulting in increased demand for lead.

While European suppliers reduced inventories during the period, global LME stocks have progressively increased to over 110,000 tonnes by the end of June, from 43,625 tonnes at the end of 2005, with the principal increases in Singapore.

Chinese production has increased substantially causing a surplus in the region. Production is set to continue to increase due to additional funding and capacity for a range of new projects in several provinces. Globally, the refined market is expected to remain broadly in equilibrium as a result of tighter markets in North America and Europe.

Along with other exchange-traded metals, lead has been subject to increased price volatility. The LME lead cash price increased from $1,100 per tonne at the end of 2005 to $1,415 per tonne in January, falling back to $955 at the end of the first half. The outlook for the second half is for some containment in prices, due to weaker fundamentals which are unlikely to support sustained price increases.

Operations

EBIT VARIANCES

	$m
EBIT 30.06.05	**95.8**
Sales price*	344.1
Volumes	(24.6)
Unit cost – real	14.5
Unit cost – CPI inflation	(11.5)
Unit cost – mining sector inflation	(12.5)
Unit cost – foreign exchange	11.0
Other income and expenses	(18.0)
Corporate social involvement	(0.5)
Depreciation and amortisation (excluding foreign exchange)	1.9
EBIT 30.06.06	**400.2**

*net of commodity price linked costs, treatment and refining charges

Zinc Lead Australia

The positive effect of higher prices for zinc, lead and silver during the first half led to a significant increase in EBIT at the Australian zinc-lead operations. EBIT for the first six months of $192 million was $161 million or over 500% higher than the comparable period in 2005. However, the full impact of higher sales prices was partially offset by a shortfall in metal production due to lower grade ore and lower recoveries.

At Mount Isa the introduction of new feed from Black Star, which replaced the Mount Isa Lead Mine feed following its closure at the end of 2005, led to severe difficulties in recoveries at the zinc lead concentrator, with a resultant reduction in contained zinc in concentrate production. Performance at the concentrator during the first half of 2006 was also hampered by higher than average rainfall and the transition into an alternate crushing and conveying circuit. Zinc in concentrate production decreased by 18% to 94,204 tonnes, mainly due to reduced feed grade and recoveries. Lead in concentrate production was 25% lower at 53,739 tonnes, also due to the reduced feed grade and recoveries.

Concentrator capacity is expected to improve materially in the second half. Low cost ore supply from the Black Star mine will increase accordingly, to ensure full utilisation of the concentrator.

George Fisher achieved ore production of 1.4 million tonnes for the first half of 2006, a 3% improvement on the prior year due to ongoing efficiency gains and a substantial improvement in shaft hoisting capacity during the second quarter. These improvements compensated for hoist downtime in the first quarter due to persistent wet weather.

Mount Isa lead smelter performance suffered as a direct result of lower than expected feed tonnes available from the concentrator. Lead in bullion reduced by 24% to 61,194 tonnes.

McArthur River Mine ore production was in line with 2005, although the head grade fell from 12.3 in 2005 to an average of 10.9 in the first half of 2006, following the cessation of underground mining activities and the commencement of a test open pit in the final quarter of 2005.

An extension to the test pit was approved by the Northern Territory government and commenced in May 2006. Mining will continue from the extended test pit until March 2007. The proposed conversion to open cut mining is currently being assessed by the Northern Territory government.

Zinc Lead Europe

EBIT for the European operations increased by 220% during the first half of 2006 to $208 million compared to the comparable period last year, as the San Juan de Nieva and Nordenham smelters operated at full capacity to take full advantage of stronger zinc prices.

Consolidated production of zinc metal for the first half of 2006 rose slightly by 2% compared to the first half of 2005.

As a result of lower than expected deliveries of bullion from Mount Isa, refined lead production at Northfleet was 4% lower than the same period in 2005, but sales increased to 95,455 tonnes, supplemented by refined lead stocks, together with a small amount of purchased lead. Silver production was 2% lower.

Developments

Zinc Lead Australia

At George Fisher, further improvements are planned for the second half of 2007 to increase shaft hoisting capacity to its maximum infrastructure capacity of 3.1 million tonnes per annum.

At the Black Star open cut mine at Mount Isa, Stages 2 South and East will continue to be developed throughout 2006 and will provide the bulk of ore production. Mining at Stage 3 North commenced during 2005 and will continue for the remainder of 2006 whilst Stage 3 East mining commenced in June. Ore production from these additional mining stages is scheduled for early 2007, to coincide with planned increases in concentrator capacity.

The Zinc Lead Concentrator Re-Vamp project was approved during the first half of 2006. This project involves upgrading the concentrator capacity to 6.5 million tonnes per annum throughput with the installation of a new reliable milling and flotation circuit by the first half of 2008 at a capital cost of $120 million. Further developments have identified that a short term expansion is possible using second hand equipment that will deliver an improvement in plant capacity by the end of September 2006. The expected increase in ore throughput is an incremental 1.5 million tonnes per annum with the equipment secured at a cost of less than $5 million.

Three significant diamond drilling programmes commenced to assess the growth and expansion of Black Star Open Cut, Handle Bar Hill open cut (George Fisher South) and George Fisher North Deep Underground. Success in these areas will realise further extensions to the life of mine of the zinc-lead operations at Mount Isa.

In August 2005, Xstrata Zinc announced its intention to convert the McArthur River zinc-lead mine (MRM) in the Northern Territory, Australia, from an underground to an open cut operation to enable production to continue at the mine. On 3 July 2006, Xstrata lodged a Public Environmental Report with the Northern Territory government, responding to nine key issues outlined by the Environmental Protection Agency in respect of the proposed conversion to open cut mining. A public consultation period of 28 days on the report closed on 31 July 2006. Subject to approval, the open pit development would be completed over a period of two years.

The McArthur River ore body remains one of the largest known deposits of zinc and lead in the world. The development of an open cut mine at McArthur River means that Xstrata Zinc retains the option to develop MRM as a source of zinc feed for a future zinc refinery using the Group's Albion process technology to significantly improve the profitability of mining operations at MRM.

Zinc Lead Europe
A silver flotation plant has been constructed at the San Juan de Nieva smelter at a cost of $14.7 million, to allow zinc concentrates with a high silver content to be processed. The plant is scheduled for commissioning in the third quarter and is expected to produce 6,800 tonnes of silver concentrate, with silver content of 7,300 grammes per tonne by the end of this year.

A new casting line to produce alloys for galvanizing will be in operation by the end of the year with total annual capacity of 50,000 tonnes and at a capital cost of $3.7 million.

Xstrata Technology

FINANCIAL AND OPERATING DATA

$m	**Six months to 30.06.06**	Six months to 30.06.05	Year ended 31.12.05
Revenue	**51.7**	31.4	77.2
EBITDA	**9.0**	4.5	13.5
Depreciation & amortisation	**(1.7)**	(1.7)	(3.4)
Impairment of assets	**(0.1)**	-	(0.3)
EBIT	**7.2**	2.8	9.8
Capital expenditure	**0.7**	0.2	0.7
Net assets*	**27.6**	52.2	44.8
Capital employed*	**27.6**	52.2	44.8

*Decrease in 2006 due to higher deferred income on balance sheet

Xstrata Technology again experienced growing demand for its specialist products as the level of activity within the metals and mining sector remained high and customers focused on cost effective, environmentally beneficial technology solutions. In the first six months of 2006, revenue rose by 65% to $52 million and EBIT rose to $7.2 million.

New ISASMELT contracts were secured for operations in Kazakhstan and Peru during the first half, and projects in Zambia and Peru are proceeding well towards commissioning in the second half. This follows the successful commissioning of the ISASMELT technology at operations in India and China during 2005.

New ISA PROCESS refining projects were secured in Kazakhstan, China, Indonesia, Australia, India and Africa in addition to increasing replacement and expansion work. The Jameson Cell business continued to experience strong demand from the coal sector and increased its penetration into base metals with an order from Teck Cominco's Red Dog operation.

The IsaMill and Albion Process technologies are rapidly becoming established. During the period, Xstrata Technology received multiple IsaMill orders from Anglo Platinum, and largely completed an installation for Phelps Dodge. The first Albion Process licence has been signed and there is a strong order book for test work. The Hydrometallurgical Research Laboratory also experienced strong demand for general test work.

All Xstrata Technology products provide high-intensity and energy efficient processing, which offer customers significant cost and environmental benefits, irrespective of market conditions.

Activity in the mining and metals sector is expected to remain very high in the second half, tempered only by limited quality inputs and raw materials, especially stainless steel. As a result, the outlook for Xstrata Technology's products remains robust.

PRODUCTION DATA

Name of Operation	Owner-ship	Annual production Capacity (Full plant/mine basis)	Accounting Status	Location
ALLOYS				
Wonderkop plant	79.5%	553kt	Joint venture	Marikana South Africa
Rustenburg plant	79.5%	430kt	Joint venture	Rustenburg South Africa
Lydenburg plant	69.6%	396kt	Joint venture	Lydenburg South Africa
Boshoek plant	79.5%	240kt	Joint venture	Boshoek South Africa
Kroondal mine	79.5%	1,920kt	Joint venture	Rustenburg South Africa
Kroondal opencast mine	79.5%	540kt	Joint venture	Rustenburg South Africa
Waterval mine	79.5%	480kt	Joint venture	Rustenburg South Africa
Thorncliffe mine	79.5%	1,440kt	Joint venture	Steelpoort South Africa
Horizon mine	79.5%	180kt	Joint venture	Pilansberg South Africa
Chrome Eden mine	79.5%	96kt	Joint venture	Pilansberg South Africa
Boshoek opencast mine	79.5%	360kt	Joint venture	Boshoek South Africa
Rhovan V_2O_5 FeV	100%	23,300k lbs 7,800k kg	Subsidiary Subsidiary	Brits South Africa
Swazi Vanadium FeV	100%	2,400k kg	Subsidiary	Maloma Swaziland
Maloma mine	75%	540kt	Subsidiary	Maloma Swaziland
Char Technologies	100%	116kt	Subsidiary	Witbank South Africa
African Carbon Manufacturers	100%,	147kt	Subsidiary	Witbank South Africa
African Carbon Producers	100%,	188kt	Subsidiary	Witbank South Africa
African Carbon Union	74%	117kt	Subsidiary	Witbank South Africa
COAL AUSTRALIA				
Cumnock	84%	1,100kt	Subsidiary	Hunter Valley
Liddell	67.5%	2,800kt	Joint venture	Hunter Valley
Macquarie Coal JV - West Wallsend - Westside	 80% 80%	 2,400kt 700kt	 Joint venture Joint venture	 Newcastle Newcastle
Mt Owen	100%	6,500kt	Subsidiary	Hunter Valley
Narama	50%	2,000kt	Joint venture	Hunter Valley
Oakbridge Group - Baal Bone - Beltana - Bulga	 74.1% 68.3% 68.3%	 2,500kt 4,500kt 4,900kt	 Subsidiary Joint venture Joint venture	 Western Coal Fields Hunter Valley Hunter Valley
Ulan - Ulan Underground - Ulan Open cast	 90% 90%	 3,500kt 1,700kt	 Joint venture Joint venture	 Western Coal Fields Western Coal Fields
United	95%	2,400kt	Joint venture	Hunter Valley
Cook	95%	600kt	Subsidiary	Bowen Basin
Oaky Creek	55%	8,700kt	Joint venture	Bowen Basin
Newlands - Thermal - Coking	 55% 55%	 8,400kt 500kt	 Joint venture Joint venture	 Bowen Basin
Collinsville - Thermal - Coking	 55% 55%	 3,600kt 1,700kt	 Joint venture Joint venture	 Bowen Basin
Rolleston	75%	8,000kt	Joint venture	Bowen Basin
COAL COLOMBIA				
Cerrejón	33.3%	28,000kt	Joint venture	Colombia
COAL SOUTH AFRICA				
iMpunzi Division				

- Phoenix - Tavistock	100% 100%	1,000kt 1,800kt	Subsidiary Subsidiary	Witbank Witbank
Mpumalanga Division - Spitzkop - Tselentis	 100% 100%	 1,400kt 1,500kt	 Subsidiary Subsidiary	 Ermelo Breyten
Tavistock TESA JV - ATC - ATCOM	 50% 50%	 1,700kt 2,400kt	 Joint venture Joint venture	 Witbank Witbank
Tweefontein Division - Boschmans - Goedgevonden - South Witbank - Waterpan - WitCons	 100% 100% 100% 100% 100%	 1,800kt 400kt 2,000kt 500kt 1,800kt	 Subsidiary Subsidiary Subsidiary Subsidiary Subsidiary	 Witbank Witbank Witbank Witbank Witbank
Mines operated by JV partners - Douglas/Middelburg	 16%	 25,500kt	 Joint venture	 Witbank / Middelburg
COPPER				
Mount Isa	100%	6.2mt ore 180kt Cu in conc *240kt Cu in anode*	Subsidiary	North West Queensland *Australia*
Ernest Henry	100%	10.8mt ore 115kt Cu in conc 120koz Au in conc	Subsidiary	North West Queensland Australia
Townsville refinery	100%	280kt cathode	Subsidiary	North Queensland Australia
Alumbrera	50%	37mt ore 190kt Cu in conc 550koz Au in conc 50koz Au in doré	Subsidiary	Catamarca Argentina
Tintaya	100%	6.2mt ore 85kt Cu in conc 48kt cathode 33koz Au in conc	Subsidiary	Espinar Peru
ZINC				
San Juan de Nieva	100%	492kt Zn 474kt saleable Zn	Subsidiary	Asturias Spain
Hinojedo	100%	44kt calcine 29kt SO_2	Subsidiary	Cantabria Spain
Arnao	100%	24kt semis Zn	Subsidiary	Asturias Spain
Nordenham	100%	145kt Zn 140kt saleable Zn	Subsidiary	Nordenham Germany
Northfleet	100%	180 Primary Pb	Subsidiary	Northfleet UK
Mount Isa	100%	*5.1mt ore* 250kt Zn in conc 170kt Pb in bullion 300t Ag in bullion	*Subsidiary*	*North West Queensland Australia*
McArthur River	100%	1.7mt ore 175kt Zn in conc	Subsidiary	Northern Territory Australia

INDEPENDENT REVIEW REPORT TO XSTRATA PLC

Introduction

We have been instructed by Xstrata Plc (the company) to review the financial information for the six months ended 30 June 2006 which comprises the interim condensed consolidated balance sheet and the related interim condensed consolidated income statement, cash flow statement, and statement of recognised income and expenses and related notes 1 to 14. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of Interim Financial Information' issued by the United Kingdom Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures be consistent with those applied in preparing the preceding annual financial statements except where any changes and the reasons for them are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Ernst & Young LLP
London
1 August 2006

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2006

US$m	Notes	**(Unaudited) 6 months to 30.06.06**	(Unaudited) 6 months to 30.06.05	(Audited) 12 months to 31.12.05
Revenue		**5,178.3**	3,765.7	8,049.8
Cost of sales*		**(2,306.5)**	(1,820.4)	(3,880.2)
Distribution costs		**(464.1)**	(471.5)	(909.5)
Administrative expenses*		**(143.3)**	(108.6)	(196.7)
Other expenses		**(9.8)**	(32.7)	(51.9)
Other income		**7.6**	24.2	68.2
Share of results from associates		**1.2**	1.3	23.4
Non-trading items:				
Acquisition costs		**-**	(10.3)	(10.3)
Profit before interest, taxation, depreciation and amortisation		**2,263.4**	1,347.7	3,092.8
Depreciation and amortisation:				
- Cost of sales		**(299.5)**	(264.8)	(549.6)
- Administrative expenses		**(15.9)**	(14.2)	(28.9)
Impairment of assets:				
- Cost of sales		**(0.6)**	(4.8)	(5.1)
Profit before interest and taxation		**1,947.4**	1,063.9	2,509.2
Finance income				
Trading items		**44.2**	12.5	35.7
Non trading items:				
Recycled foreign currency gains from the translation reserve		**2.9**	61.6	88.5
Total Finance income		**47.1**	74.1	124.2
Finance costs				
Trading items		**(107.6)**	(42.7)	(127.6)
Non trading items:				
Loan issue costs written-off on facility refinancing		**-**	(17.3)	(17.3)
Recycled foreign currency losses from the translation reserve		**(6.9)**	(9.7)	(26.6)
Total finance costs		**(114.5)**	(69.7)	(171.5)
Profit before taxation		**1,880.0**	1,068.3	2,461.9
Income tax (expense)/benefit on trading profit		**(491.6)**	(216.1)	(551.0)
Income tax benefit on non-trading items		**-**	8.3	8.3
Total tax expense	11	**(491.6)**	(207.8)	(542.7)
Profit from continuing operations		**1,388.4**	860.5	1,919.2
Non-trading items:				
Profit on sale of discontinued operations		**-**	3.7	3.7
Profit for the period		**1,388.4**	864.2	1,922.9
Attributable to:				
Equity holders of the parent		**1,132.8**	797.1	1,706.4
Minority interests		**255.6**	67.1	216.5
		1,388.4	864.2	1,922.9

* Before depreciation, amortisation and impairment charges

Interim Condensed Consolidated Income Statement (continued)

For the six months ended 30 June 2006

	Notes	**(Unaudited) 6 months to 30.06.06**	(Unaudited) 6 months to 30.06.05	(Audited) 12 months to 31.12.05
Earnings per share (US$)				
Basic (continuing operations)				
- before non-trading items	14	**1.80**	1.23	2.71
- non- trading items	14	**(0.01)**	0.04	0.07
	14	**1.79**	1.27	2.78
Basic				
- before non-trading items	14	**1.80**	1.23	2.71
- non- trading items	14	**(0.01)**	0.05	0.08
	14	**1.79**	1.28	2.79
Diluted (continuing operations)				
- before non-trading items	14	**1.65**	1.12	2.46
- non- trading items	14	**(0.01)**	0.04	0.06
	14	**1.64**	1.16	2.52
Diluted				
- before non-trading items	14	**1.65**	1.12	2.46
- non- trading items	14	**(0.01)**	0.05	0.07
	14	**1.64**	1.17	2.53
Dividends (US$m)				
- declared and paid		**159.5**	100.0	154.2
- proposed		**91.0**	55.0	149.9
Dividend per share (USc)				
- declared and paid		**25.0**	16.0	25.0
- proposed		**13.0**	9.0	25.0

Interim Condensed Consolidated Balance Sheet
As at 30 June 2006

US$m	Notes	(Unaudited) at 30.06.06	(Unaudited) at 30.06.05	(Audited) at 31.12.05
Assets				
Non-current assets				
Intangible assets	6	**1,923.2**	1,381.6	1,430.0
Property, plant and equipment	7	**10,725.9**	7,896.3	8,086.1
Biological assets		**13.6**	12.7	13.1
Inventories		**64.0**	75.7	71.0
Trade and other receivables		**46.5**	38.4	57.1
Investments in associates		**45.2**	45.2	43.9
Available-for-sale financial assets		**4,087.9**	10.1	2,324.8
Derivative financial assets		**0.8**	21.5	8.9
Other financial assets		**69.3**	43.1	56.3
Pension asset		**2.7**	2.8	2.6
Prepayments		**109.8**	34.8	15.5
Deferred tax assets		**14.4**	7.6	6.7
		17,103.3	9,569.8	12,116.0
Current assets				
Inventories		**1,067.4**	851.7	890.7
Trade and other receivables		**1,618.0**	918.4	1,138.3
Prepayments		**91.6**	51.6	98.8
Derivative financial assets		**2.4**	10.0	16.9
Other financial assets		**11.9**	49.5	34.5
Cash and cash equivalents	10	**956.6**	263.8	524.1
		3,747.9	2,145.0	2,703.3
Total assets		**20,851.2**	11,714.8	14,819.3

Interim Condensed Consolidated Balance Sheet (continued)
As at 30 June 2006

US$m	Notes	(Unaudited) at 30.06.06	(Unaudited) at 30.06.05	(Audited) at 31.12.05
Equity and liabilities				
Capital and reserves - attributable to equity holders of Xstrata plc				
Issued capital	8, 9	**352.4**	316.3	316.3
Share premium	8, 9	**4,172.1**	2,500.1	2,500.1
Own shares	8, 9	**(123.0)**	(326.1)	(616.2)
Convertible borrowings - equity component	9	**80.5**	63.4	119.5
Other reserves	9	**4,278.0**	2,860.2	3,053.5
Retained earnings	9	**3,710.2**	1,319.9	2,191.8
		12,470.2	6,733.8	7,565.0
Minority interests	9	**613.8**	505.9	572.2
Total equity		**13,084.0**	7,239.7	8,137.2
Non-current liabilities				
Trade and other payables		**13.0**	13.7	10.4
Interest-bearing loans and borrowings	10	**713.7**	980.3	1,532.8
Convertible borrowings	10	**530.5**	550.9	858.3
Derivative financial liabilities		**118.7**	15.6	60.7
Provisions		**557.2**	463.0	457.7
Pension deficit		**24.3**	26.0	23.7
Deferred tax liabilities		**2,278.4**	1,248.3	1,338.7
Other liabilities		**47.2**	8.3	9.7
		4,283.0	3,306.1	4,292.0
Current liabilities				
Trade and other payables		**1,157.8**	759.6	945.8
Interest-bearing loans and borrowings	10	**1,369.8**	82.1	744.1
Derivative financial liabilities		**276.6**	12.1	232.9
Provisions		**178.5**	108.4	113.7
Income taxes payable		**467.7**	188.7	342.6
Other liabilities		**33.8**	18.1	11.0
		3,484.2	1,169.0	2,390.1
Total liabilities		**7,767.2**	4,475.1	6,682.1
Total equity and liabilities		**20,851.2**	11,714.8	14,819.3

Trevor Reid
Chief Financial Officer

Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2006

US$m	Notes	**(Unaudited) 6 months to 30.06.06**	(Unaudited) 6 months to 30.06.05	(Audited) 12 months to 31.12.05
Profit before taxation *(continuing operations)*		**1,880.0**	1,068.3	2,461.9
Adjustments for:				
Profit before tax from discontinued operations		-	3.7	3.7
Finance income		**(47.1)**	(74.1)	(124.2)
Finance cost		**114.5**	69.7	171.5
Share of results from associates		**(1.2)**	(1.3)	(23.4)
Profit on sale of discontinued operations		-	(3.7)	(3.7)
Net profit on disposal of property, plant and equipment		**(2.9)**	-	(15.9)
Impairment of assets		**0.6**	4.8	5.1
Depreciation		**311.4**	275.4	571.8
Amortisation		**4.0**	3.6	6.7
Share-based compensation plans		**34.5**	13.8	31.4
Increase in trade and other receivables		**(371.0)**	(53.1)	(333.8)
Increase in other assets		**(105.5)**	(90.7)	(80.3)
Increase in inventories		**(45.1)**	(92.9)	(125.4)
Increase in trade and other payables		**182.2**	12.1	236.2
Increase/(decrease) in provisions		**0.4**	(6.6)	8.6
Other non-cash movements		**3.1**	7.6	(10.3)
Cash generated from operations		**1,957.9**	1,136.6	2,779.9
Income tax paid		**(419.5)**	(255.3)	(380.2)
Interest paid		**(93.3)**	(57.3)	(115.8)
Interest received		**25.5**	23.6	24.3
Dividends received – associates		-	-	7.5
Dividends received – other		**8.6**	0.5	9.2
Net cash flow from operating activities		**1,479.2**	848.1	2,324.9
Purchase of property, plant and equipment		**(451.8)**	(302.9)	(858.2)
Proceeds from sale of property, plant and equipment		**3.7**	5.0	10.8
Purchase of intangible assets		**(9.9)**	(2.1)	(8.7)
Purchase of available-for-sale financial assets		**(2.7)**	(5.1)	(1,472.0)
Payments to joint venture partner		-	-	(7.3)
Repayments from joint venture partner		-	-	7.3
Acquisition of subsidiaries, net of cash acquired		**(687.9)**	(60.3)	(60.3)
Acquisition of interest in joint venture, net of cash acquired		**(1,709.7)**	-	-
Disposal of subsidiaries, net of cash disposed		-	25.2	25.2
Net cash flow used from investing activities		**(2,858.3)**	(340.2)	(2,363.2)
Issue of share capital		**1,252.0**	-	-
Purchase of own shares		**(10.9)**	(227.9)	(521.6)
Disposal of own shares		**1,132.7**	12.1	24.9
Proceeds from interest bearing loans and borrowings		**2,536.0**	7.2	1,295.0
Interest bearing loans and borrowings issue costs		**(19.6)**	(17.3)	(17.3)
Repayment of interest bearing loans and borrowings		**(2,718.5)**	(338.9)	(348.6)
Repayment of finance lease liabilities		**(7.0)**	(4.2)	(8.0)
Dividends paid to equity holders of the parent		**(159.5)**	(100.0)	(154.2)
Dividends paid to minority interests		**(167.5)**	(68.0)	(148.2)
Redemption of minority interests		**(46.5)**	-	-
Net cash flow used in financing activities		**1,791.2**	(737.0)	122.0
Net increase/(decrease) in cash and cash equivalents		**412.1**	(229.1)	83.7
Net foreign exchange difference		**(1.7)**	(4.5)	(13.5)
Cash and cash equivalents at 1 January		**521.4**	451.2	451.2
Cash and cash equivalents at period end	10	**931.8**	217.6	521.4

Interim Condensed Consolidated Statement of Recognised Income and Expenses

For the six months ended 30 June 2006

US$m	**(Unaudited) 6 months to 30.06.06**	(Unaudited) 6 months to 30.06.05	(Audited) 12 months to 31.12.05
Income and expenses recognised directly in equity:			
Actuarial gains/(losses) on defined benefit pension plans	-	-	0.8
Gains/(losses) on available-for-sale financial assets	**1,648.2**	(2.0)	397.5
Losses on cash flow hedges	**(142.7)**	(97.7)	(314.0)
Foreign currency translation differences	**(53.9)**	(545.4)	(580.7)
	1,451.6	(645.1)	(496.4)
Transfers to the income statement:			
Cash flow hedges	**89.5**	50.0	128.6
Recycled foreign currency translation net losses/(gains)	**4.0**	(57.2)	(67.2)
	1,545.1	(652.3)	(435.0)
Tax on items taken directly to or transferred from equity	**(320.6)**	20.1	(6.0)
Net income/(expense) recognised directly in equity	**1,224.5**	(632.2)	(441.0)
Profit for the period	**1,388.4**	864.2	1,922.9
Total recognised income and expense for the period	**2,612.9**	232.0	1,481.9
Attributable to:			
Equity holders of the parent	**2,357.3**	164.7	1,268.1
Minority interests	**255.6**	67.3	213.8
	2,612.9	232.0	1,481.9
First time adoption of IAS 32/IAS 39:			
Available-for-sale financial assets (Other reserves)	-	1.3	1.3
Cash flow hedges (Other reserves)	-	12.2	12.2
Convertible borrowings – recognition of equity component	-	63.4	63.4
Interest rate swap hedging adjustment (Retained earnings)	-	1.2	1.2
Convertible bond amortised cost adjustment (Retained earnings)	-	(10.0)	(10.0)
Deferred tax (Other reserves)	-	(11.0)	(11.0)
Effects of changes in accounting policy	-	57.1	57.1
Attributable to:			
Equity holders of the parent	-	57.1	57.1
Minority interests	-	-	-
	-	57.1	57.1

Notes to the Interim Condensed Financial Statements (unaudited)

1. Corporate Information

The ultimate parent entity of the Group, Xstrata plc, is a publicly traded limited company incorporated in England and Wales and domiciled in Switzerland. Its ordinary shares are traded on the London and Swiss stock exchanges.

The interim condensed consolidated financial statements do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The financial information for the full preceding financial year is based on statutory accounts for the financial year ended 31 December 2005. These statutory accounts, upon which the auditors issued an unqualified opinion and which did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under s237(2) or s237(3) of the Companies Act 1985, have been delivered to the registrar.

2. Basis of preparation

The interim condensed consolidated financial statements of Xstrata plc and all its subsidiaries (the Group) for the six months ended 30 June 2006 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. Accordingly the interim condensed consolidated financial statements do not include all of the information or disclosures required in the annual financial statements and should be read in conjunction with the Group's 2005 annual financial statements.

The impact of seasonality or cyclicality on operations is not regarded as significant on the interim condensed consolidated financial statements.

The following exchange rates to the US dollar (US$) have been applied:

	As at 30 June 2006	**Average 6 months to 30 June 2006**	As at 30 June 2005	Average 6 months to 30 June 2005	As at 31 December 2005	Average 12 months to 31 December 2005
Argentine pesos (US$:ARS)	**3.0855**	**3.0664**	2.8863	2.9093	3.0300	2.9224
Australian dollars (AUD:US$)	**0.7423**	**0.7432**	0.7624	0.7730	0.7328	0.7624
Canadian dollars (US$:CAD)	**1.1163**	**1.1381**	n/a	n/a	1.1620	1.2113
Euros (EUR:US$)	**1.2791**	**1.2309**	1.2108	1.2845	1.1850	1.2444
Great Britain pounds (GBP:US$)	**1.8484**	**1.7912**	1.7915	1.8730	1.7229	1.8195
South African rands (US$:ZAR)	**7.1730**	**6.3071**	6.6495	6.2146	6.3288	6.3661
Swiss francs (US$:CHF)	**1.2232**	**1.2693**	1.2814	1.2047	1.3134	1.2463

3. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, except for the adoption of the following amendments for periods beginning 1 January 2006:

- *IAS 39 Financial Instruments: Recognition and Measurement (IAS 39)* & *IFRS 4 Insurance Contracts (IFRS 4) – Amendment for financial guarantee contracts-* this amendment addresses the accounting for financial guarantee contracts by the issuer of the guarantee. Under the amended standard financial guarantee contracts are to be recognised initially at fair value and generally re-measured at the higher of the amount determined in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*, and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with *IAS 18 Revenue*. Historically, such contracts were accounted for under IFRS 4 and not recorded at fair value. This has not had a material impact on the financial statements.
- *Classification of deferred overburden removal expenditure-* Deferred overburden removal expenditure (deferred stripping costs) which were previously classified within Other assets on the balance sheet have been reclassified to Property, plant and equipment to more accurately reflect the nature of the asset. Previously, when the costs deferred were charged to the income statement, the amount charged was recorded in Cost of sales. Consistent with the adjusted presentation in the balance sheet, amounts charged to the income statement are now included in Depreciation- cost of sales. This change in classification has resulted in the reclassification from Other assets to Property, plant and equipment of US$247.7 million as at 30 June 2006 (US$108.4 million as at 30 June 2005 and US$141.0 million as at 31 December 2005). The reclassification from Cost of sales to Depreciation cost of sales was US$0.8 million for the six months ended 30 June 2006 (nil six months ended 30 June 2005 and nil year ended 31 December 2005).

Comparatives
Where applicable, other comparatives have been adjusted to disclose them on the same basis as current period figures. The material adjustments to the 30 June 2005 balance sheet are:

- The reclassification from Available-for-sale financial assets to Other financial assets for the Rehabilitation trust fund on the early adoption of IFRS 5 (US$30.9 million).
- The coal port assets in Australia being reclassified as investments in associates from Available-for-sale financial assets (US$44.1 million).
- Commodity hedge assets of US$28.0 million have been de-recognised with an adjustment to Other reserves, as they had been incorrectly recorded on adoption of IAS 32 and IAS 39.

Other reclassifications and adjustments have been made to align the 30 June 2005 comparative figures with the current period figures and with the IFRS first time adoption adjustments made during 2005.

4. Changes in Group Companies

Business Combinations

Cerrejon

On 20 April 2006, the Group acquired a 33 1/3% of the Cerrejon thermal coal operation in Colombia (Cerrejon) for a cash consideration of US$1,718.7 million from Glencore International AG (also refer to note 12).

The provisional fair value of the identifiable assets and liabilities of the 33 1/3% of Cerrejon as at the date of acquisition was:

		Provisional	
US$m	Carrying Value	Revaluation adjustments	Recognised on acquisition
Intangible assets	27.7	(27.7)	-
Property, plant and equipment	437.9	1,270.0	1,707.9
Investments in associates	5.4	-	5.4
Inventories	44.2	-	44.2
Trade and other receivables	44.3	-	44.3
	559.5	1,242.3	1,801.8
Trade and other payables	(30.1)	-	(30.1)
Provisions	(8.4)	-	(8.4)
Deferred tax liabilities	(76.8)	(433.6)	(510.4)
Income taxes payable	(16.8)	-	(16.8)
Derivative financial liabilities	(4.5)	1.5	(3.0)
Net assets	422.9	810.2	1,233.1
Goodwill arising on acquisition			476.6
			1,709.7

Consideration:	
Net cash acquired with the subsidiary	9.0
Cash paid	(1,718.7)
	(1,709.7)

The fair values are provisional due to the complexity and proximity of the acquisition to 30 June 2006. The review of the fair value of the assets and liabilities acquired will continue for 12 months from the acquisition date.

From the date of acquisition, Cerrejon has contributed US$19.8 million to the profit of the Group. If the combination had of taken place at the beginning of the year, the Group's revenue would have been US$5,317.9 million, profit before interest, taxation, depreciation and amortisation (EBITDA) would have been, US$2,337.0 million, profit before interest and taxation (EBIT) would have been US$2,002.7 million and profit would have been US$1,426.8 million.

The goodwill balance is the result of the requirement to recognise a deferred tax liability calculated as the difference between the tax effect of the fair value of mineral reserves and mineral resources and their tax bases.

Tintaya

On 21 June 2006, the Group acquired 100% of the Tintaya copper mine in Peru (Tintaya) for a consideration of US$852.4 million (including working capital adjustments and deferred purchaser consideration) from BHP Finance International Limited.

The provisional fair value of the identifiable assets and liabilities of Tintaya as at the date of acquisition was:

	Provisional		
US$m	Carrying value	Revaluation adjustments	Recognised on acquisition
Property, plant and equipment	302.8	496.8	799.6
Prepayments	0.9	-	0.9
Inventories	90.4	-	90.4
Trade and other receivables	143.1	1.4	144.5
	537.2	498.2	1,035.4
Trade and other payables	(33.2)	-	(33.2)
Provisions	(49.4)	(45.7)	(95.1)
Deferred tax liabilities	(9.3)	(136.7)	(146.0)
Income taxes payable	(33.4)	-	(33.4)
Net assets	411.9	315.8	727.7
Goodwill arising on acquisition			119.6
			847.3

Consideration:	
Net cash acquired with the subsidiary	5.1
Cash paid	(693.0)
Deferred consideration	(122.9)
Contingent consideration	(36.5)
	(847.3)

The fair values are provisional due to the complexity and proximity of the acquisition to 30 June 2006. The review of the fair value of the assets and liabilities acquired will continue for 12 months from the acquisition date.

From the date of acquisition, Tintaya has contributed US$1.6 million to Group EBIT. If the combination had of taken place at the beginning of the year, the Group's revenue would have been US$5,507.2 million, EBITDA would have been, US$2,478.2 million, EBIT would have been US$2,118.1 million and profit would have been US$1,505.8 million.

The goodwill balance is the result of the requirement to recognise a deferred tax liability calculated as the difference between the tax effect of the fair value of mineral reserves and mineral resources and their tax bases.

5. Segmental Analysis

Business segments

The operating businesses are organised and managed separately according to the nature of the products produced, with each segment representing a strategic business unit that offers different products and serves different markets. The following tables present revenue and profit information and certain asset and liability information regarding the Group's business segments.

For the period ended

US$m	**6 months to 30.06.06**	6 months to 30.06.05	12 months to 31.12.05
Revenue			
External parties:			
Coal - Thermal	**1,408.5**	1,388.9	2,863.7
Coal - Coking	**284.0**	256.5	536.7
Coal	**1,692.5**	1,645.4	3,400.4
Chrome	**331.4**	447.9	797.5
Vanadium	**100.6**	191.0	318.0
Copper	**1,718.2**	778.2	2,007.8
Zinc Lead	**1,283.9**	671.8	1,448.9
Technology	**51.7**	31.4	77.2
Revenue (from continuing operations)	**5,178.3**	3,765.7	8,049.8
EBITDA			
Before non-trading items:			
Coal – Thermal	**430.2**	528.0	1,066.1
Coal – Coking	**151.3**	113.2	*278.0*
Coal	**581.5**	641.2	1,344.1
Chrome	**36.3**	116.4	168.8
Vanadium	**62.4**	94.2	181.1
Copper	**1,184.0**	409.3	1,131.1
Zinc Lead	**433.1**	128.7	303.1
Technology	**9.0**	4.5	13.5
Unallocated	**(44.1)**	(37.6)	(62.0)
Share of results from associates (net of tax, continuing operations):			
Coal	**1.2**	1.3	2.4
Copper	**-**	-	15.9
Unallocated	**-**	-	5.1
Segment EBITDA (continuing operations)	**2,263.4**	1,358.0	3,103.1
Non-trading items:			
Unallocated	**-**	(10.3)	(10.3)
EBITDA (continuing operations)	**2,263.4**	1,347.7	3,092.8
EBITDA (discontinued operations):			
Non-trading items:			
Profit on sale of discontinued operations:			
Forestry	**-**	3.7	3.7
Total	**2,263.4**	1,351.4	3,096.5

US$m	**6 months to 30.06.06**	6 months to 30.06.05	12 months to 31.12.05
Depreciation and amortisation			
Depreciation:			
Coal	155.9	126.9	266.6
Chrome	11.9	12.2	24.4
Vanadium	3.1	2.8	5.5
Copper	106.8	99.9	209.6
Zinc Lead	32.4	32.4	63.4
Technology	0.2	0.1	0.2
Unallocated	1.1	1.1	2.1
Depreciation (continuing operations)	311.4	275.4	571.8
Amortisation:			
Coal	0.4	0.6	0.6
Copper	0.4	0.1	0.1
Zinc Lead	0.5	0.5	1.0
Technology	1.5	1.6	3.2
Unallocated	1.2	0.8	1.8
Amortisation (continuing operations)	4.0	3.6	6.7
Total:			
Coal	156.3	127.5	267.2
Chrome	11.9	12.2	24.4
Vanadium	3.1	2.8	5.5
Copper	107.2	100.0	209.7
Zinc Lead	32.9	32.9	64.4
Technology	1.7	1.7	3.4
Unallocated	2.3	1.9	3.9
Depreciation and amortisation (from continuing operations)	315.4	279.0	578.5
Impairment of assets recognised in profit or loss			
Chrome	0.5	2.9	2.9
Copper	-	1.9	1.9
Technology	0.1	-	0.3
Total impairment of assets (continuing operations)	0.6	4.8	5.1

US$m	**6 months to 30.06.06**	6 months to 30.06.05	12 months to 31.12.05
EBIT			
Before non-trading items:			
Coal – Thermal	**293.2**	416.3	833.4
Coal – Coking	**132.0**	97.4	243.5
Coal	**425.2**	513.7	1,076.9
Chrome	**23.9**	101.3	141.5
Vanadium	**59.3**	*91.4*	*175.6*
Copper	**1,076.8**	307.4	919.5
Zinc Lead	**400.2**	95.8	238.7
Technology	**7.2**	2.8	9.8
Unallocated	**(46.4)**	*(39.5)*	*(65.9)*
Share of results from associates (net of tax, continuing operations):			
Coal	**1.2**	1.3	2.4
Copper	**-**	-	15.9
Unallocated	**-**	-	5.1
Segment EBIT (continuing operations)	**1,947.4**	1,074.2	2,519.5
Non-trading items:			
Unallocated	**-**	(10.3)	(10.3)
EBIT (continuing operations)	**1,947.4**	1,063.9	2,509.2
Finance income	**47.1**	74.1	124.2
Finance expense	**(114.5)**	(69.7)	(171.5)
Profit before taxation	**1,880.0**	1,068.3	2,461.9
Income tax expense	**(491.6)**	(207.8)	(542.7)
Profit from continuing operations	**1,388.4**	860.5	1,919.2
Profit on sale of discontinued operations:			
Forestry	**-**	*3.7*	*3.7*
Profit for the period	**1,388.4**	864.2	1,922.9

US$m	at 30.06.06	at 30.06.05	at 31.12.05
Net assets			
Before tax assets and liabilities, investment in associates, interest bearing loans and borrowings:			
Coal	**7,752.7**	5,457.2	5,685.8
Chrome	**1,015.2**	826.0	1,012.3
Vanadium	**136.8**	173.3	134.4
Copper	**3,958.0**	2,474.2	2,609.1
Zinc Lead	**1,737.2**	1,372.4	1,306.1
Technology	**36.5**	56.7	50.5
Unallocated*	**3,748.0**	(122.6)	2,104.9
Total segmental net assets (continuing operations)	**18,384.4**	10,237.2	12,903.1
Tax assets, tax liabilities, interest bearing loans and borrowings:			
Coal	**(1,649.3)**	(1,226.3)	(1,271.2)
Chrome	**(141.2)**	(228.9)	(286.3)
Vanadium	**4.0**	(32.3)	(6.2)
Copper	**(1,060.1)**	(471.1)	(623.6)
Zinc Lead	**(268.4)**	(102.1)	(123.1)
Technology	**(8.9)**	(4.5)	(5.7)
Unallocated	**(2,221.7)**	(977.5)	(2,493.7)
Total (continuing operations)	**(5,345.6)**	(3,042.7)	(4,809.8)
Investment in associates:			
Coal	**45.2**	45.2	43.9
Total (continuing operations)	**45.2**	45.2	43.9
Net assets			
Coal	**6,148.6**	4,276.1	4,458.5
Chrome	**874.0**	597.1	726.0
Vanadium	**140.8**	141.0	128.2
Copper	**2,897.9**	2,003.1	1,985.5
Zinc Lead	**1,468.8**	1,270.3	1,183.0
Technology	**27.6**	52.2	44.8
Unallocated	**1,526.3**	(1,100.1)	(388.8)
Net assets (from continuing operations)	**13,084.0**	7,239.7	8,137.2

* Includes available-for-sale financial assets not directly attributable to business segments.

US$m	6 months to 30.06.06	6 months to 30.06.05	12 months to 31.12.05
Capital expenditure			
Sustaining:			
Coal	**67.3**	70.6	187.7
Chrome	**13.4**	8.4	25.9
Vanadium	**2.2**	2.4	8.9
Copper	**57.7**	38.2	115.3
Zinc Lead	**40.7**	31.8	88.8
Technology	**0.5**	0.2	0.7
Unallocated	**0.7**	1.4	2.6
Total sustaining (from continuing operations)	**182.5**	153.0	429.9
Expansionary:			
Coal	**96.9**	128.0	280.9
Chrome	**99.4**	46.0	161.4
Vanadium	**0.3**	2.9	7.4
Copper	**40.1**	10.8	35.3
Zinc Lead	**39.7**	9.9	32.2
Technology	**0.2**	-	-
Total Expansionary	**276.6**	197.6	517.2
Total:			
Coal	**164.2**	198.6	468.6
Chrome	**112.8**	54.4	187.3
Vanadium	**2.5**	5.3	16.3
Copper	**97.8**	49.0	150.6
Zinc Lead	**80.4**	41.7	121.0
Technology	**0.7**	0.2	0.7
Unallocated	**0.7**	1.4	2.6
Total (from continuing operations)	**459.1**	350.6	947.1

6. Goodwill

During the six months ended 30 June 2006, the carrying value of Goodwill increased by US$604.9 million due to business combinations of US$596.2 million (refer to note 4) and foreign currency translation adjustments of US$8.7 million.

7. Property, Plant and Equipment

During the six months ended 30 June 2006, the Group acquired assets with a cost of US$448.9 million (six months ended 30 June 2005 US$348.5 million and year ended 31 December 2005 US$933.8 million), not including property, plant and equipment acquired through business combinations (refer to note 4) and additions to deferred stripping costs (refer to note 3).

Assets with a net book value of US$0.8 million were disposed of by the Group during the six months ended 30 June 2006 (six months ended 30 June 2005 US$24.1 million and year ended 31 December 2005 US$28.4 million), resulting in a net gain on disposal of US$2.9 million (six months ended 30 June 2005 US$nil and year ended 31 December 2005 US$15.9 million).

The Group has *made commitments to acquire property, plant and equipment totalling US$68.9 million at* 30 June 2006 (30 June 2005 US$201.0 million and 31 December 2005 US$106.6 million). A portion of these commitments have been incurred with other venturers.

8. Issued Capital, Share Premium and Own Shares

US$m	
Issued, called up and fully paid:	
631,502,416 ordinary shares of US$0.50 each as at 1 January 2005	315.8
1,000,000 ordinary shares issued on 24 March 2005 to the ESOP	0.5
632,502,416 ordinary shares of US$0.50 each as at 30 June 2005 and 31 December 2005	316.3
3,000,000 ordinary shares issued on 27 March 2006 to the ESOP	1.5
32,543,344 ordinary shares issued on 22 May 2006 to institutional investors	16.2
36,799,431 ordinary shares issued on the exercise of convertible bonds during 2006	18.4
704,845,191 ordinary shares of US$0.50 each as at 30 June 2006	352.4
Share Premium:	
As at 1 January 2005	2,481.5
1,000,000 ordinary shares issued on 24 March 2005	18.6
As at 30 June 2005 and 31 December 2005	2,500.1
3,000,000 ordinary shares issued on 27 March 2006 to the ESOP	96.6
32,543,344 ordinary shares issued on 22 May 2006 to institutional investors	1,235.8
36,799,431 ordinary shares issued on the exercise of convertible bonds during 2006	339.6
As at 30 June 2006	4,172.1
Own shares*:	
7,481,271 ordinary shares of US$0.50 each at 1 January 2005	(91.7)
13,604,250 ordinary shares purchased in the ECMP during the period	(227.9)
1,000,000 ordinary shares issued to the ESOP during the period	(19.1)
1,187,408 ordinary shares disposed by the ESOP during the period	12.6
20,898,113 ordinary shares of US$0.50 each as at 30 June 2005	(326.1)
12,475,000 ordinary shares purchased in the ECMP during the period	(293.6)
3,925 ordinary shares purchased in the ESOP during the period	(0.1)
322,174 ordinary shares disposed by the ESOP during the period	3.6
33,054,864 ordinary shares of US$0.50 each as at 31 December 2005	(616.2)
29,450,976 ordinary shares disposed by the ECMP during the period	572.8
428,053 ordinary shares purchased during the period	(10.9)
2,190,863 ordinary shares disposed by the ESOP during the period	29.4
3,000,000 ordinary shares issued to the ESOP during the period	(98.1)
4,841,078 ordinary shares of US$0.50 each as at 30 June 2006	(123.0)

* Own shares are recorded at historical cost

On 22 May 2006, all of the Own shares held by Batiss were disposed of for US$1,121.7 million and 32,543,344 new shares were issued for US$1,252.0 million which were used to repay the Term Bank Loan and a portion of the Revolving Credit Facility (refer to notes 4 and 10).

9. Reconciliation of Changes in Equity

	Attributable to equity holders of the parent							Minority interests	Total equity
US$m	Issued capital	Share premium	Own shares	Convertible borrowings - equity component	Other reserves*	Retained earnings	Total		Total
At 1 January 2006	316.3	2,500.1	(616.2)	119.5	3,053.5	2,191.8	7,565.0	572.2	8,137.2
Net gains/(losses) on:									
- Available-for-sale financial assets	-	-	-	-	1,322.6	-	1,322.6	-	1,322.6
- Cash flow hedges	-	-	-	-	(44.5)	-	(44.5)	-	(44.5)
Foreign currency translation differences	-	-	-	-	(57.6)	-	(57.6)	-	(57.6)
Recycled foreign currency translation net losses on loan repayments to the income statement	-	-	-	-	4.0	-	4.0	-	4.0
Net profit	-	-	-	-	-	1,132.8	1,132.8	255.6	1,388.4
Issue of share capital	36.1	1,672.0	(98.1)	(39.0)	-	-	1,571.0	-	1,571.0
Own share purchases	-	-	(10.9)	-	-	-	(10.9)	-	(10.9)
Own share disposals	-	-	602.2	-	-	530.5	1,132.7	-	1,132.7
Cost of share-based compensation plans	-	-	-	-	-	14.6	14.6	-	14.6
Redemption of minority interests	-	-	-	-	-	-	-	(46.5)	(46.5)
Dividends paid	-	-	-	-	-	(159.5)	(159.5)	(167.5)	(327.0)
At 30 June 2006	352.4	4,172.1	(123.0)	80.5	4,278.0	3,710.2	12,470.2	613.8	13,084.0

US$m	Attributable to equity holders of the parent							Minority interests	Total equity
	Issued capital	Share premium	Own shares	Convertible borrowings - equity component	Other reserves*	Retained earnings	Total		Total
At 1 January 2005	315.8	2,481.5	(91.7)	-	3,490.1	622.9	6,818.6	506.6	7,325.2
First time adoption of IAS 32 and IAS 39:									
- Available-for-sale financial assets	-	-	-	-	1.3	-	1.3	-	1.3
- Cash flow hedges	-	-	-	-	1.2	1.2	2.4	-	2.4
- Convertible bond	-	-	-	63.4	-	(10.0)	53.4	-	53.4
At 1 January 2005	315.8	2,481.5	(91.7)	63.4	3,492.6	614.1	6,875.7	506.6	7,382.3
Net gains/(losses) on:									
- Available-for-sale financial assets	-	-	-	-	(2.0)	-	(2.0)	-	(2.0)
- Cash flow hedges	-	-	-	-	(34.5)	-	(34.5)	-	(34.5)
Foreign currency translation differences	-	-	-	-	(538.7)	-	(538.7)	0.2	(538.5)
Recycled foreign currency translation net gains on loan repayments to the income statement	-	-	-	-	(51.9)	-	(51.9)	-	(51.9)
Recycled foreign currency translation net gains on sale of operations to the income statement	-	-	-	-	(5.3)	-	(5.3)	-	(5.3)
Net profit	-	-	-	-	-	797.1	797.1	67.1	864.2
Issue of share capital	0.5	18.6	(19.1)	-	-	-	-	-	-
Own share purchases	-	-	(227.9)	-	-	-	(227.9)	-	(227.9)
Own share disposals	-	-	12.6	-	-	-	12.6	-	12.6
Cost of share-based compensation plans	-	-	-	-	-	8.7	8.7	-	8.7
Dividends paid	-	-	-	-	-	(100.0)	(100.0)	(68.0)	(168.0)
At 30 June 2005	316.3	2,500.1	(326.1)	63.4	2,860.2	1,319.9	6,733.8	505.9	7,239.7
Net gains/(losses) on:									
- Available-for-sale financial assets	-	-	-	-	316.8	-	316.8	-	316.8
- Cash flow hedges	-	-	-	-	(92.4)	-	(92.4)	-	(92.4)
Foreign currency translation differences	-	-	-	-	(21.1)	-	(21.1)	(2.9)	(24.0)
Recycled foreign currency translation net gains on loan repayments to the income statement	-	-	-	-	(10.0)	-	(10.0)	-	(10.0)
Defined benefit plan actuarial gains/(losses)	-	-	-	-	-	0.8	0.8	-	0.8
Net profit	-	-	-	-	-	909.3	909.3	149.4	1,058.7
New borrowings issued	-	-	-	56.1	-	-	56.1	-	56.1
Own share purchases	-	-	(293.7)	-	-	-	(293.7)	-	(293.7)
Own share disposals	-	-	3.6	-	-	8.7	12.3	-	12.3
Cost of share-based compensation plans	-	-	-	-	-	11.4	11.4	-	11.4
Exercise of pre-IFRS 2 Option awards	-	-	-	-	-	(4.1)	(4.1)	-	(4.1)
Dividends paid	-	-	-	-	-	(54.2)	(54.2)	(80.2)	(134.4)
At 31 December 2005	316.3	2,500.1	(616.2)	119.5	3,053.5	2,191.8	7,565.0	572.2	8,137.2

* Other reserves

US$m	Other reserves	Net unrealised gains	Foreign currency translation	Total
At 31 December 2004	1,240.7	-	2,249.4	3,490.1
First time adoption of IAS 32 and IAS 39:				
Available-for-sale financial assets	-	1.3	-	1.3
Cash flow hedges	-	12.2	-	12.2
Deferred tax	-	(11.0)	-	(11.0)
At 1 January 2005	1,240.7	2.5	2,249.4	3,492.6
Available-for-sale financial assets	-	(2.0)	-	(2.0)
Cash flow hedges recognised directly in equity	-	(97.7)	-	(97.7)
Cash flow hedges transferred to the Income Statement	-	50.0	-	50.0
Foreign currency translation of subsidiaries	-	-	(545.6)	(545.6)
Recycled foreign currency translation net gains	-	-	(57.2)	(57.2)
Deferred tax	-	13.2	6.9	20.1
At 30 June 2005	**1,240.7**	**(34.0)**	**1,653.5**	**2,860.2**
Available-for-sale financial assets	-	399.5	-	399.5
Cash flow hedges recognised directly in equity	-	(216.3)	-	(216.3)
Cash flow hedges transferred to the Income Statement	-	78.6	-	78.6
Foreign currency translation of subsidiaries	-	4.0	(36.4)	(32.4)
Recycled foreign currency translation net gains	-	-	(10.0)	(10.0)
Deferred tax	-	(37.4)	11.3	(26.1)
At 31 December 2005	**1,240.7**	**194.4**	**1,618.4**	**3,053.5**
Available-for-sale financial assets	-	1,648.2	-	1,648.2
Cash flow hedges	-	(142.7)	-	(142.7)
Cash flow hedges transferred to the Income Statement	-	89.5	-	89.5
Foreign currency translation of subsidiaries	-	23.1	(77.0)	(53.9)
Recycled foreign currency translation net losses	-	-	4.0	4.0
Deferred tax	-	(316.9)	(3.7)	(320.6)
At 30 June 2006	**1,240.7**	**1,495.6**	**1,541.7**	**4,278.0**

10. Interest-bearing Loans and Borrowings

US$m	at 30.06.06	at 30.06.05	at 31.12.05
Current:			
Bank overdrafts	24.8	46.2	2.7
Revolving credit facility - unsecured	1,192.0	-	-
Syndicated bank loans - unsecured	-	-	106.0
Term loan - unsecured	-	-	600.0
Bank loans - other unsecured	1.4	1.5	7.1
Capital market notes	14.0	24.7	14.3
Obligations under finance leases and hire purchase contracts	140.8	10.0	14.7
Other loans	0.1	0.2	0.3
Bank loan issue costs	(3.3)	(0.5)	(1.0)
	1,369.8	82.1	744.1
Non-current:			
Syndicated bank loans - unsecured	304.0	385.0	971.0
Bank loans - other unsecured	4.8	29.8	5.8
Capital market notes	259.3	273.7	261.7
Minority interest loans	81.3	81.0	81.5
Obligations under finance leases and hire purchase contracts	82.9	212.2	214.1
Other loans	1.3	1.6	1.2
Bank loan issue costs	(19.9)	(3.0)	(2.5)
	713.7	980.3	1,532.8
Non-current:			
Convertible borrowings	533.3	559.3	866.0
Convertible borrowings issue costs	(2.8)	(8.4)	(7.7)
	530.5	550.9	858.3
Total	2,614.0	1,613.3	3,135.2
Less cash and cash equivalents	(956.6)	(263.8)	(524.1)
Net debt	1,657.4	1,349.5	2,611.1

For the purpose of the Condensed Consolidated Cash Flow Statement, cash and cash equivalents comprise the following:

Cash and cash equivalents	956.6	263.8	524.1
Bank overdrafts	(24.8)	(46.2)	(2.7)
	931.8	217.6	521.4

Revolving Credit Facility

On 8 May 2006 Xstrata plc and certain subsidiary undertakings of the Group, entered into a US$2.5 billion 364 day revolving credit facility, with a 364 day term out option, which bears interest at a rate based on LIBOR plus 40 basis points per annum. The revolving credit facility was used to fund acquisitions made during the first six months of 2006 (also refer to notes 4 and 8).

Un-drawn Facilities

In connection with an offer to acquire the remaining 80.2% share capital of Falconbridge Limited, US$12.0 billion (US$11.0 billion at 30 June 2006) of acquisition debt facilities and US$7.0 billion equity bridge facilities have been arranged. Certain existing debt facilities will be re-financed as part of drawing on the debt facilities.

Convertible Borrowings

During the six months ended 30 June 2006, $360.9 million of the US$600 million convertible bond was converted at the option of the holder into 36,799,431 ordinary shares in Xstrata plc.

11. Income taxes

Income tax expense

Significant components of income tax expense for the periods ended:

US$m	**6 months to 30.06.06**	6 months to 30.06.05	12 months to 31.12.05
Consolidated income statement			
Current tax:			
Current	**489.9**	200.0	498.7
Prior year adjustments (under/over provision)	**(1.5)**	2.1	(12.6)
Total current taxation expense for the period	**488.4**	202.1	486.1
Deferred taxation:			
Origination and reversal of temporary differences	**9.6**	25.9	81.0
Change in tax rates	**-**	(21.1)	(21.5)
Benefit from previously unrecognised tax losses, tax credits or temporary differences of a *prior period that is used to reduce deferred tax expense*	**(6.4)**	*(0.7)*	*(0.5)*
Deferred tax expense arising from the write-down, or reversal of a previous write-down, of a deferred tax asset	**-**	1.6	-
Benefit from entry into the Australian tax consolidation regime	**-**	-	(2.4)
Total deferred taxationexpense/(credit) for the period	**3.2**	5.7	56.6
Total taxation expense reported in consolidated income statement	**491.6**	207.8	542.7
UK taxation included above:			
Current tax	**-**	-	1.2
Deferred tax	**(7.3)**	(0.3)	0.1
Total taxation expense	**(7.3)**	(0.3)	1.3
Recognised directly in equity			
Deferred tax:			
Available-for-sale financial assets	**325.6**	-	82.7
Cash flow hedges	**(8.7)**	(13.2)	(58.5)
Other equity classified items	**3.7**	(6.9)	(18.2)
Total current taxation charge reported in equity	**320.6**	(20.1)	6.0

12. Related Parties

The list of principal subsidiaries, joint ventures and associates is consistent with the Group's Financial Statements 2005 except for the business combinations which occurred during the period(refer to note 4).

The Group entered into the following transactions, in the ordinary course of business, with related parties as outlined below:

US$m	Sales**	Purchases	Treatment & refining charges	Treatment & refining revenue	Agency & marketing fees	Technical support Revenue	Amounts payable	Amounts receivable
Glencore International AG *								
6 months to 30.06.06	1,615.9	477.1	111.5	6.5	30.2	-	77.3	316.8
6 months to 30.06.05	955.6	155.2	51.8	29.0	39.3	-	37.5	177.6
12 months to 31.12.05	2,248.0	348.4	154.6	64.2	71.0	0.7	62.3	211.8
Associates								
6 months to 30.06.06	-	-	-	-	8.2	-	0.8	-
6 months to 30.06.05	-	-	-	-	8.4	-	0.8	-
12 months to 31.12.05	-	-	-	-	14.7	-	1.6	-

* Includes share in joint ventures

** No provision for doubtful debts has been raised in respect of transactions with related parties

Included in the transactions with Glencore are US$337.6 million (30 June 2005 US$417.0 million and 31 December 2005 US$761.1 million) of back to back sales whereby the title to the goods has passed to Glencore but they are then on-sold to customers at the same sales price that the Group received.

Sales to and purchases from related parties are made at normal market prices. Outstanding balances at period end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables.

There were no significant changes in the terms of the long-term contracts with Glencore International AG (Glencore) as outlined on pages 106 to 108 of the Group's Financial Statements 2005.
The Cerrejon coal mine was purchased on an arms length basis from Glencore on 20 April 2006 (refer to note 4).

13. Share Based Payments

Long Term Incentive Plan (LTIP)

On 10 March 2006, share-based compensation plan awards were granted to senior executives under the LTIP. The fair values of the share-based compensation awards (including free shares and options) are estimated using a binomial model at the date of grant. The main weighted average assumptions used are:

	Date of grant 2006
Dividend yield (%)	1.3
Expected volatility for free share awards (%)	29
Expected volatility for option awards (%)	31
Risk-free interest rate (%)	4.44
Earliest exercise date	10 Mar 2009
Latest exercise date	9 Mar 2016
Expected exercise date for free share awards	10 Mar 2009
Expected exercise date for option awards	17 Nov 2009
Share price at date of grant (GBP)	17.03
Exercise price (GBP)	17.17
Number of free share awards granted	852,536
Number of option awards granted	2,812,204
Free share fair value at date of grant (GBP)	14.40
Option fair value at date of grant (GBP)	4.30

These free shares and options were granted on a similar basis to previous LTIP awards (refer to pages 92 to 94 of the Group Financial Statements 2005). 34% of the LTIP awards are conditional on Total Shareholder Return (TSR) relative to a peer group and 66% are conditional on the Group's real cost savings relative to targets set on a stretching scale over the 3 year vesting period.

During the six months ended 30 June 2006, 678,095 free share awards vested and were exercised and 35,607 lapsed, and 2,101,235 option awards vested and 110,236 lapsed. 1,501,361 option awards were exercised by employees in relation to the 2003 LTIP award series. The weighted average share price at the dates that the awards were exercised during the period was GBP17.80 per share.

Xstrata AG Incentive Plan
During the period 147,846 option awards under the 2001 Xstrata AG incentive plan were exercised whilst 12,667 lapsed. The weighted average share price at the dates that the share options were exercised during the period was CHF35.89 per share.

Xstrata AG Directors' Incentive Scheme
During the period 15,231 awards under the 2001 Xstrata AG Directors' incentive plan lapsed.

Deferred Bonus
During the period 102,176 shares or $2.0 million of the 2004 deferred bonus was settled.

Directors' Added Value Plan (AVP)
The second cycle of the AVP began on 10 March 2006. A description of the plan can be found in the Remuneration Report in the Annual review 2005. The fair value of the equity-settled share-based payment under IFRS 2 was US$7.0 million, estimated at the 10 March 2006, using a Monte Carlo simulation model to incorporate the market based features of the plan.

For the 2006 plan cycle, the market capitalisation on 10 March 2006 was US$18.5 billion, the Participation Percentage was equal to 0.3% and the share price at the measurement date was US$29.39. In addition to these parameters, the key inputs used within the valuation model were:

	Xstrata plc	Xstrata share Indices[1]
Dividend yield (%)	N/A	N/A[2]
Expected volatility (%)	30%	21%
Risk-free interest rate (%)	4.45%	4.45%
Third anniversary of start of cycle	10 Mar 2009	9 May 2008
Fourth anniversary of start of cycle	10 Mar 2010	9 May 2009
Fifth anniversary of start of cycle	10 Mar 2011	9 May 2010

1. There are two Xstrata Share Indices used within the valuation model; one is a market capitalisation weighted TSR index comprising 19 global mining firms who are considered to be Xstrata's key competitors for both financial and human capital. The other is a market capitalisation price index comprising the same 19 constituents.
2. When simulating the Xstrata Price Index, a dividend yield is included to account for the suppressing impact that a dividend payment has on the constituent share prices. A yield of 3.0% has been used. For the simulation of Xstrata's TSR and the Index TSR a dividend yield is not required.

The expected volatility reflects the assumption that the historic volatility is indicative of future trends, which may also not necessarily be the actual outcome. There is no disclosure of the number of equity instruments granted as the AVP is not an award over a fixed number of shares.

14. Earnings per Share

US$m	**6 months to 30.06.06**	6 months to 30.06.05	12 months to 31.12.05
Continuing operations:			
Profit before non-trading items attributable to ordinary equity holders of the parent from continuing operations	**1,136.8**	760.8	1,660.1
Non-trading items from continuing operations	**(4.0)**	32.6	42.6
Profit attributable to ordinary equity holders of the parent from continuing operations	**1,132.8**	793.4	1,702.7
Profit attributable to ordinary equity holders of the parent from discontinued operations	**-**	3.7	3.7
Profit attributable to ordinary equity holders of the parent	**1,132.8**	797.1	1,706.4
Interest in respect of convertible borrowings	**4.5**	4.6	22.3
Profit attributable to ordinary equity holders of the parent for diluted earnings per share	**1,137.3**	801.7	1,728.7
Weighted average number of shares (000) excluding own shares:			
For basic earnings per share	**631,713**	622,628	612,421
Effect of dilution:			
- Free share and share options (000)	**6,328**	3,060	4,828
- Convertible borrowings	**54,717**	61,181	65,719
For diluted earnings per share	**692,758**	686,869	682,968